



BEFORE THE ARIZONA CORPORATION COMMISSION

ROBERT "BOB" BURNS
Chairman

Arizona Corporation Commission

BOYD DUNN

DOCKETED

Commissioner

SANDRA D. KENNEDY

NOV 23 2020

Commissioner

JUSTIN OLSON

DOCKETED BY

Commissioner

LEA MÁRQUEZ PETERSON

Commissioner

IN THE MATTER OF POSSIBLE
MODIFICATIONS TO THE ARIZONA
CORPORATION COMMISSION'S ENERGY
RULES.

DOCKET NO. RU-00000A-18-0284

DECISION NO. 77829

ORDER

Special Open Meeting
November 13, 2020
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

Background

1. On July 17, 2020, the Arizona Corporation Commission's ("Commission") Utilities Division Staff ("Staff") docketed a Memorandum and Proposed Order with proposed rules.

2. On July 29, 2020, Staff filed a Memorandum and Revised Proposed Order ("Revised Proposed Order") containing corrections, clarifications, and some changes to portions of the proposed rules and superseding entirely the Proposed Order and proposed rules filed on July 17, 2020.

3. The Commission discussed the Revised Proposed Order at Open Meetings on July 30, August 6, September 24, and October 13 and 14, 2020, and ultimately passed a number of amendments to the rules in the Revised Proposed Order.

4. This Order reflects the changes made by the Commission through those amendments, along with conforming changes necessary for consistency and to comply with the rules of the Arizona Secretary of State.

...

Existing Rules

5. In 1989, the Commission adopted Resource Planning and Procurement Rules¹ requiring utilities defined as Load Serving Entities (“LSEs”) to meet the electric needs of their customers by choosing the best mix of resources, with input from stakeholders in a transparent process. The Commission’s Resource Planning and Procurement Rules outline a process for each LSE to file its Integrated Resource Plan (“IRP”). Each LSE’s proposed IRP assesses how it will meet forecasted annual peak and energy demand through a balance of supply-side and demand-side resources over a specific time period.

6. In 2001, the Commission adopted the Environmental Portfolio Standards (“EPS”) Rule,² in Decision No. 63364 (February 8, 2001), and modified the EPS in Decision No. 63486 (March 29, 2001). The EPS imposes requirements for an LSE to obtain a specified percentage of total retail energy sold from new solar resources or renewable electricity technologies.

7. In 2006, the Commission adopted Renewable Energy Standard and Tariff (“REST”) Rules,³ in Decision No. 69127 (November 14, 2006). The REST Rules require affected utilities to satisfy an annual renewable energy requirement up to 15 percent by 2024.⁴ Commissioners and stakeholders have expressed interest in raising the annual renewable energy requirement.

8. In 2010, the Commission amended the original Resource Planning and Procurement Rules, in Commission Decision No. 71722 (June 3, 2010), to include consideration of a diverse portfolio of purchased power, utility-owned generation, renewables, demand-side management, and distributed generation.

9. Also in 2010, the Commission adopted new Electric Energy Efficiency (“EEE”) Rules,⁵ in Decision No. 71819 (August 10, 2010). The EEE Rules require an affected utility to achieve cumulative annual energy savings, measured in Kilowatt-Hours (“kWh”), equivalent to a percentage of an affected utility’s retail electric energy sales for a specific calendar year. By December 31, 2020, an affected utility is required to achieve, from cost-effective demand-side management energy efficiency programs, cumulative annual energy savings equivalent to at least 22% of its retail electric energy sales for calendar year 2019.

¹ See Arizona Administrative Code (“A.A.C.”) R14-2-701 *et seq.*

² A.A.C. R14-2-1618

³ A.A.C. R14-2-1801 *et seq.*

⁴ See A.A.C. R14-2-1804(B)

⁵ A.A.C. R14-2-2401 *et seq.*

10. Also in 2010, in Commission Decision No. 72042 (December 10, 2010), the Commission adopted new Gas Energy Efficiency “GEE” Rules.⁶ The GEE Rules require affected utilities to achieve, through demand-side management and renewable energy resource technology programs, cumulative annual energy savings, expressed as therms or therm equivalents, equal to at least 6% of the affected utility’s retail gas energy sales for calendar year 2019.

11. In 2014, in Decision No. 74882 (December 31, 2014), the Commission amended the REST Rules to clarify and update how the Commission deals with renewable energy compliance.

This Rulemaking

12. On August 22, 2016, then-Chairman Doug Little opened a docket for the Review, Modernization and Expansion of the Arizona REST Rules and Associated Rules.⁷ Written comments were received from interested parties from November 2016 through the opening of this docket.

13. In Decision No. 75859 (January 3, 2017), the Commission ordered Staff to file potential modifications to the current Net Metering Rules⁸ to comport with changes in circumstances since their adoption. Accordingly, Staff filed a memorandum to open such a new docket on August 25, 2017.⁹

14. On August 14, 2018, the Commission directed Staff to initiate a rulemaking docket to evaluate the proposed Arizona energy modernization.¹⁰ Accordingly, this docket was opened on August 17, 2018.

15. On November 30, 2018, Staff provided a memorandum to the Commissioners proposing a timeline for workshops to gather stakeholder input on the redesign of the Commission's Energy Rules.¹¹

16. Stakeholder Meetings were hosted by Staff on December 10, 2018; February 25, 2019; March 14, 2019; and March 26, 2019, to discuss various topics related to the Energy Rules.

⁶ A.A.C. R14-2-2501 *et seq.*

⁷ See Docket No. R-00000Q-16-0289.

⁸ A.A.C. R14-2-2301 *et seq.*

⁹ See Docket No. RE-00000A-17-0260.

¹⁰ See Correspondence by Commissioner Tobin filed on July 5, 2018, in Docket No. R-00000Q-16-0289.

¹¹ Staff’s memorandum was also made available to those attending the Staff hosted Retail Electric Competition Workshop held on December 3, 2018, at the Commission’s Phoenix Office.

17. On April 25, 2019, Staff filed its initial draft of proposed rules, which were discussed at length at the Commission's April 29, 2019, stakeholder meeting and workshop. Staff requested interested parties to docket written comments.

18. On July 2, 2019, and February 18, 2020, Staff filed a second and third draft of the Energy Rules, respectively, and again requested interested parties to docket written comments.

19. Staff hosted stakeholder meetings and workshops to discuss the second draft of the Energy Rules on July 30 and 31, 2019; August 7, 2019; and September 19, 2019; and to discuss the third draft of the Energy Rules on March 10 and 11, 2020.

20. Written comments were received from, and participants in the workshops included, representatives from utilities, government agencies, energy efficiency and environmental advocacy groups, utility investors, large industrial consumers, advocates for renewable resources, competitive power providers, advocates for distributed generation, product suppliers, research entities, and others.

21. Based on the input received through the Commissioner correspondence and written comments filed in this docket, the stakeholder meetings and workshops held in this docket, and discussions in Open Meetings, and in recognition of current national trends and technological developments, it is just and reasonable and in the public interest to file a Notice of Proposed Rulemaking that would propose the rulemaking actions shown in Exhibit A hereto, which include:

- a. Repealing the Commission's Resource Planning and Procurement Rules (14 A.A.C. 2, Article 7);
- b. Repealing the EPS Rule (A.A.C. R14-2-1618);
- c. Repealing the REST Rules (14 A.A.C. 2, Article 18);
- d. Amending A.A.C. R14-2-2302 and R14-2-2307 in the Net Metering Rules;
- e. Repealing the EEE Rules (14 A.A.C. 2, Article 24);
- f. Repealing the GEE Rules (14 A.A.C. 2, Article 25); and
- g. Adopting the new Energy Rules, as a new Article 27 to 14 A.A.C. 2.

Energy Rules Rulemaking Timeline

22. The Commission should direct Staff, to file with the Office of the Secretary of State, by November 27, 2020, for publication in the *Arizona Administrative Register* no later than December 18, 2020, (1) a Notice of Rulemaking Docket Opening and (2) a Notice of Proposed Rulemaking to propose adoption of the rule language attached hereto as Exhibit A.

23. The Commission should direct the Hearing Division to hold telephonic oral proceedings to receive public comment on the Notice of Proposed Rulemaking on January 19 and 20, 2021, at 10:00 a.m. or as soon as practicable thereafter, with each oral proceeding to end after the last caller has finished providing comment.

24. The Commission should direct that interested persons may provide comments concerning the Notice of Proposed Rulemaking by filing written comments with the Commission's Docket Control by January 22, 2021, and by providing oral comments during the telephonic oral proceedings to be held on January 19 and 20, 2021.

25. The Commission should further direct Staff to file a draft Economic, Small Business, and Consumer Impact Statement ("EIS") by January 11, 2021.

26. The Commission should further direct Staff to file, by February 26, 2021, a revised EIS along with a summary of all written and oral comments concerning the Notice of Proposed Rulemaking received between December 18, 2020, and January 22, 2021, with Staff's responses.

CONCLUSIONS OF LAW

1. Pursuant to Article XV, § 3 of the Arizona Constitution and A.R.S. Title 40 generally, the Commission has authority to take the actions described in Findings of Fact Nos. 21 through 26.

2. It is in the public interest to take the actions described in Findings of Fact Nos. 21 through 26.

ORDER

IT IS THEREFORE ORDERED that the Utilities Division shall, by November 27, 2020, prepare and file with the Office of the Secretary of State, for publication in the Arizona Administrative Register no later than December 18, 2020, (1) a Notice of Rulemaking Docket Opening and (2) a Notice of Proposed Rulemaking that includes the text of the rules as included in Exhibit A, attached hereto and incorporated herein by reference.

IT IS FURTHER ORDERED that the Hearing Division shall hold telephonic oral proceedings to receive public comment on the Notice of Proposed Rulemaking on January 19 and 20, 2021, at 10:00 a.m. or as soon as practicable thereafter.

1 IT IS FURTHER ORDERED that any interested person may provide public comment
2 telephonically during either oral proceeding by calling 1-888-450-5996 and using passcode
3 457395#.

4 IT IS FURTHER ORDERED that the Utilities Division shall ensure that the Preamble for
5 the Notice of Proposed Rulemaking includes the information regarding the oral proceedings
6 provided in the previous two ordering paragraphs.

7 IT IS FURTHER ORDERED that interested persons may provide comments concerning the
8 Notice of Proposed Rulemaking by filing written comments with the Commission's Docket Control
9 by January 22, 2021, and by providing oral comments during the telephonic oral proceedings to be
10 held on January 19 and 20, 2021.

11 IT IS FURTHER ORDERED that the Utilities Division shall ensure that the Preamble to the
12 Notice of Proposed Rulemaking conforms with the requirements of A.R.S. § 41-1001(16).

13 IT IS FURTHER ORDERED that the Utilities Division shall ensure that the Preamble to the
14 Notice of Proposed Rulemaking states that (1) written comments on the Notice of Proposed
15 Rulemaking must include a reference to Docket No. RU-00000A-18-0284; (2) written comments
16 should be filed with the Commission's Docket Control by January 22, 2021; and (3) oral comments
17 may be provided at the oral proceedings to be held on January 19 and 20, 2021.

18 IT IS FURTHER ORDERED that the Utilities Division shall ensure that any written
19 comments filed with the Utilities Division rather than the Commission's Docket Control are filed
20 with the Commission's Docket Control.

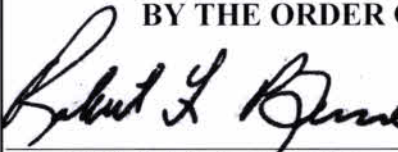


21 IT IS FURTHER ORDERED that the Utilities Division shall, by January 11, 2021, file with
22 the Commission's Docket Control an Economic, Small Business, and Consumer Impact Statement
23 that addresses the economic impacts of the recommended changes to the rules as included in Exhibit
24 A and conforms to the requirements of A.R.S. § 41-1057(A)(2).

25 IT IS FURTHER ORDERED that the Utilities Division shall, by February 26, 2021, file with
26 the Commission's Docket Control (1) a document including (a) a summary of all written and oral
27 comments concerning the Notice of Proposed Rulemaking received between the effective date of
28 this Order and January 22, 2021, along with (b) the Utilities Division's responses to those comments;

1 and (2) a revised Economic, Small Business, and Consumer Impact Statement or a memorandum
2 explaining why no revision of the prior filed Economic, Small Business, and Consumer Impact
3 Statement is necessary.

4 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

7 BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

8   
9 CHAIRMAN BURNS COMMISSIONER DUNN COMMISSIONER KENNEDY

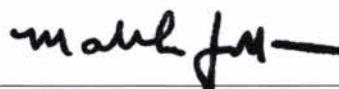
11 **DISSENT**

12 COMMISSIONER OLSON

11 
12 COMMISSIONER MARQUEZ PETERSON



14 IN WITNESS WHEREOF, I, MATTHEW J. NEUBERT,
15 Executive Director of the Arizona Corporation Commission,
16 have hereunto, set my hand and caused the official seal of this
17 Commission to be affixed at the Capitol, in the City of
18 Phoenix, this 23 day of November, 2020.

18 

19 MATTHEW J. NEUBERT
20 EXECUTIVE DIRECTOR

21 DISSENT: 

22
23 DISSENT: _____

24 EOA:PCL:elr/
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COMMISSIONERS
BOB BURNS - Chairman
BOYD DUNN
SANDRA D. KENNEDY
LEA MÁRQUEZ-
PETERSON
JUSTIN OLSON



**ARIZONA CORPORATION
COMMISSION**

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November 20, 2020

Re: Arizona Corporation Commission – Rulemaking (RU-00000A-18-0284) – “the Arizona Corporation Commission’s Energy Rules.”

Commissioners and Interested Parties,

I respectfully dissent. As the Commission considered proposed changes to its renewable energy rules at the November 13 Open Meeting, I once again brought forward my amendment that would have prohibited these rules from overburdening ratepayers. I was disappointed that the Commission once again rejected my attempts to protect ratepayers. This sent a clear signal that the Commission intends for compliance with the proposed mandates to drive up costs for ratepayers.

The Arizona Constitution requires the Corporation Commission to prescribe “just and reasonable rates.” Ariz. Const. art. 15, sec. 3. The setting of just and reasonable rates is the touchstone not only for evaluating rate cases, but also for making policy decisions. Unfortunately, the Commission ignored this touchstone principle when it voted to impose mandates without protecting ratepayers from avoidable additional costs.

We should keep in mind that the Commission’s current mandates that were adopted in 2006 have had a detrimental impact on the affordability of utility rates throughout Arizona. Since 2007, for example, APS ratepayers have paid an additional \$1.25 billion dollars to comply with the Commission’s energy mandates.

Moreover, by imposing these mandates, the Commission has ignored the will of the people. The voters spoke loudly and clearly just two years ago with regard to similar mandates when they rejected Proposition 127 with more than twice as many no votes than yes votes. The voters are not interested in driving up their rates. What voters are interested in is keeping their rates low. For that reason, the Commission should be working to find ways to reduce rates rather than putting new burdens on the backs of the ratepayers. The Commission should have respected the will of the voters and rejected these mandates— or at least should have capped the burden that ratepayers will have to bear.

Throughout this process, I have proposed amendments to ensure that these new rules do not drive up rates. If we would have adopted those amendments, then we could have accomplished a win-win scenario. Under my amendment utilities would have increased their use of renewable energy but only by investing in projects that were at least as cost-effective as the lowest cost alternative. As there are many renewable energy projects that are the most cost-effective method of generating energy, my amendment would have led to increased renewable energy projects while simultaneously protecting the ratepayers from unnecessary rate increases. Without my amendment, the current rules mandate that the utilities invest in projects that are more costly than alternative generation methods which will, unfortunately, increase costs for ratepayers.

To anticipate the impact of these mandates, we need only to look to our neighbors to the west. California adopted a one hundred percent ban on carbon emissions by 2045— just five years earlier than the ban in these adopted rules— and what have we seen in California? It’s been an absolute disaster. Rates are fifty percent higher in California than they are here in Arizona. And what has California received in exchange for these higher rates? They have rolling blackouts. They don’t have the energy necessary to meet the

demand of their customers because of these failed policies—similar policies to what this Commission just adopted.

The Commission has made a tremendous mistake by following California's lead, and, unfortunately, Arizona ratepayers will have to pay the price for that mistake.

Sincerely,

A handwritten signature in black ink, appearing to read "Justin Olson", with a stylized, cursive script.

Commissioner Justin Olson

**TITLE 14. PUBLIC SERVICE CORPORATIONS; CORPORATIONS AND ASSOCIATIONS;
SECURITIES REGULATION**

CHAPTER 2. CORPORATION COMMISSION- FIXED UTILITIES

~~ARTICLE 7. RESOURCE PLANNING AND PROCUREMENT~~ Repealed

Section

R14-2-701.— Definitions Repealed

R14-2-702.— Applicability Repealed

R14-2-703.— Load-serving entity reporting requirements Repealed

R14-2-704.— Commission review of load-serving entity resource plans Repealed

R14-2-705.— Procurement Repealed

R14-2-706.— Independent Monitor Selection and Responsibilities Repealed

ARTICLE 16. RETAIL ELECTRIC COMPETITION

Section

R14-2-1618.— Environmental Portfolio Standard Repealed

~~ARTICLE 18. RENEWABLE ENERGY STANDARD AND TARIFF~~ Repealed

Section

R14-2-1801.— Definitions Repealed

R14-2-1802.— Eligible Renewable Energy Resources Repealed

R14-2-1803.— Renewable Energy Credits Repealed

R14-2-1804.— Annual Renewable Energy Requirement Repealed

R14-2-1805.— Distributed Renewable Energy Requirement Repealed

R14-2-1806.— Extra Credit Multipliers Repealed

R14-2-1807.— Manufacturing Partial Credit Repealed

R14-2-1808.— Tariff Repealed

R14-2-1809.— Customer Self-Directed Renewable Energy Option Repealed

R14-2-1810.— Uniform Credit Purchase Program Repealed

R14-2-1811.— Net Metering and Interconnection Standards Repealed

R14-2-1812.— Compliance Reports Repealed

R14-2-1813.— Implementation Plans Repealed
R14-2-1814.— Electric Power Cooperatives Repealed
R14-2-1815.— Enforcement and Penalties Repealed
R14-2-1816.— Waiver from the Provisions of this Article Repealed

ARTICLE 23. NET METERING

Section

R14-2-2302. Definitions
R14-2-2307. Net Metering Tariff

~~ARTICLE 24. ELECTRIC UTILITY ENERGY EFFICIENCY STANDARDS~~ Repealed

Section

R14-2-2401.— Definitions Repealed
R14-2-2402.— Applicability Repealed
R14-2-2403.— Goals and Objectives Repealed
R14-2-2404.— Energy Efficiency Standards Repealed
R14-2-2405.— Implementation Plans Repealed
R14-2-2406.— DSM Tariffs Repealed
R14-2-2407.— Commission Review and Approval of DSM Programs and DSM Measures Repealed
R14-2-2408.— Parity and Equity Repealed
R14-2-2409.— Reporting Requirements Repealed
R14-2-2410.— Cost Recovery Repealed
R14-2-2411.— Performance Incentives Repealed
R14-2-2412.— Cost Effectiveness Repealed
R14-2-2413.— Baseline Estimation Repealed
R14-2-2414.— Fuel Neutrality Repealed
R14-2-2415.— Monitoring, Evaluation, and Research Repealed
R14-2-2416.— Program Administration and Implementation Repealed
R14-2-2417.— Levering and Cooperation Repealed
R14-2-2418.— Compliance by Electric Distribution Cooperatives Repealed

R14-2-2419.—Waiver from the Provisions of this Article Repealed

ARTICLE 25. GAS UTILITY ENERGY EFFICIENCY STANDARDS Repealed

Section

R14-2-2501.—Definitions Repealed

R14-2-2502.—Applicability Repealed

R14-2-2503.—Goals and Objectives Repealed

R14-2-2504.—Energy Efficiency Standards Repealed

R14-2-2505.—Implementation Plans Repealed

R14-2-2506.—DSM Tariffs Repealed

R14-2-2507.—Commission Review and Approval of DSM Programs and RET Programs Repealed

R14-2-2508.—Parity and Equity Repealed

R14-2-2509.—Reporting Requirements Repealed

R14-2-2510.—Cost Recovery Repealed

R14-2-2511.—Revenue Decoupling Repealed

R14-2-2512.—Cost Effectiveness Repealed

R14-2-2513.—Baseline Estimation Repealed

R14-2-2514.—Fuel Neutrality Repealed

R14-2-2515.—Monitoring, Evaluation, and Research Repealed

R14-2-2516.—Program Administration and Implementation Repealed

R14-2-2517.—Levering and Cooperation Repealed

R14-2-2518.—Compliance by Gas Distribution Cooperatives Repealed

R14-2-2519.—Compliance by Propane Companies Repealed

R14-2-2520.—Waiver from the Provisions of this Article Repealed

ARTICLE 27. ENERGY RULES

Section

R14-2-2701.—Definitions

R14-2-2702.—Applicability

R14-2-2703.—Renewable Energy Resources

- R14-2-2704. Clean Energy Implementation Plan
- R14-2-2705. Development of Proposed Load Forecast and Needs Assessment
- R14-2-2706. Load Forecast and Needs Assessment Approval
- R14-2-2707. All Source Request for Information
- R14-2-2708. ASRFI Process: Resource Plan Approval
- R14-2-2709. Implementation of Action Plan
- R14-2-2710. Electric Utility Annual Reporting Requirements
- R14-2-2711. Electric Energy Efficiency
- R14-2-2712. Gas Energy Efficiency
- R14-2-2713. Energy Storage System Tariff
- R14-2-2714. Independent Monitor Selection and Responsibilities
- R14-2-2715. Confidential Information
- R14-2-2716. Waivers and Exemptions
- R14-2-2717. Cooperatives
- R14-2-2718. Cost Recovery and Prudence

ARTICLE 7. RESOURCE PLANNING AND PROCUREMENT

R14-2-701. — Definitions

In this Article, unless otherwise specified:

1. — “Acknowledgment” means a Commission determination, under R14-2-704, that a plan meets the basic requirements of this Article.
2. — “Affiliated” means related through ownership of voting securities, through contract, or otherwise in such a manner that one entity directly or indirectly controls another, is directly or indirectly controlled by another, or is under direct or indirect common control with another entity.
3. — “Benchmark” means to calibrate against a known set of values or standards.
4. — “Book life” means the expected time period over which a power supply source will be available for use by a load-serving entity.
5. — “Btu” means British thermal unit.
6. — “Capacity” means the amount of electric power, measured in megawatts, that a power source is rated to provide.
7. — “Capital costs” means the construction and installation cost of facilities, including land, land rights, structures, and equipment.
8. — “Coincident peak” means the maximum of the sum of two or more demands that occur in the same demand interval, which demand interval may be established on an annual, monthly, or hourly basis.
9. — “Customer class” means a subset of customers categorized according to similar characteristics, such as amount of energy consumed; amount of demand placed on the energy supply system at the system peak; hourly, daily, or seasonal load pattern; primary type of activity engaged in by the customer, including residential, commercial, industrial, agricultural, and governmental; and location.
10. — “Decommissioning” means the process of safely and economically removing a generating unit from service.
11. — “Demand management” means beneficial reduction in the total cost of meeting electric energy service needs by reducing or shifting in time electricity usage.
12. — “Derating” means a reduction in a generating unit’s capacity.

13. — “Discount rate” means the interest rate used to calculate the present value of a cost or other economic variable.
14. — “Docket Control” means the office of the Commission that receives all official filings for entry into the Commission’s public electronic docketing system.
15. — “Emergency” means an unforeseen and unforeseeable condition that:
 - a. — Does not arise from the load-serving entity’s failure to engage in good utility practices;
 - b. — Is temporary in nature; and
 - c. — Threatens reliability or poses another significant risk to the system.
16. — “End use” means the final application of electric energy, for activities such as, but not limited to, heating, cooling, running an appliance, or motor, an industrial process, or lighting.
17. — “Energy losses” means the quantity of electric energy generated or purchased that is not available for sale to end users, for resale, or for use by the load-serving entity.
18. — “Escalation” means the change in costs due to inflation, changes in manufacturing processes, changes in availability of labor or materials, or other factors.
19. — “Generating unit” means a specific device or set of devices that converts one form of energy (such as heat or solar energy) into electric energy, such as a turbine and generator or a set of photovoltaic cells.
20. — “Heat rate” means a measure of generating station thermal efficiency expressed in Btus per net kilowatt-hour and computed by dividing the total Btu content of fuel used for electric generation by the kilowatt-hours of electricity generated.
21. — “Independent monitor” means a company or consultant that is not affiliated with a load-serving entity and that is selected to oversee the conduct of a competitive procurement process under R14-2-706.
22. — “Integration” means methods by which energy produced by intermittent resources can be incorporated into the electric grid.
23. — “Intermittent resources” means electric power generation for which the energy production varies in response to naturally occurring processes like wind or solar intensity.
24. — “Interruptible power” means power made available under an agreement that permits curtailment or cessation of delivery by the supplier.

25. — “In-service date” means the date a power supply source becomes available for use by a load-serving entity.
26. — “Load-serving entity” means a public service corporation that provides electricity generation service and operates or owns, in whole or in part, a generating facility or facilities with capacity of at least 50 megawatts combined.
27. — “Long term” means having a duration of three or more years.
28. — “Maintenance” means the repair of generation, transmission, distribution, administrative, and general facilities; replacement of minor items; and installation of materials to preserve the efficiency and working condition of the facilities.
29. — “Mothballing” means the temporary removal of a generating unit from active service and accompanying storage activities.
30. — “Operate” means to manage or otherwise be responsible for the production of electricity by a generating facility, whether that facility is owned by the operator, in whole or in part, or by another entity.
31. — “Participation rate” means the proportion of customers who take part in a specific program.
32. — “Probabilistic analysis” means a systematic evaluation of the effect, on costs, reliability, or other measures of performance, of possible events affecting factors that influence performance, considering the likelihood that the events will occur.
33. — “Production cost” means the variable operating costs and maintenance costs of producing electricity through generation plus the cost of purchases of power sufficient to meet demand.
34. — “Refurbish” means to make major changes, more extensive than maintenance or repair, in the power production, transmission, or distribution characteristics of a component of the power supply system, such as by changing the fuels that can be used in a generating unit or changing the capacity of a generating unit.
35. — “Reliability” means a measure of the ability of a load-serving entity’s generation, transmission, or distribution system to provide power without failures to reflect the portion of time that a system is unable to meet demand or the kilowatt-hours of demand that could not be supplied.
36. — “Renewable energy resource” means an energy resource that is replaced rapidly by a natural, ongoing process and that is not nuclear or fossil fuel.

37. —“Reserve requirements” means the capacity that a load-serving entity must maintain in excess of its peak load to provide for scheduled maintenance, forced outages, unforeseen loads, emergencies, system operating requirements, and reserve sharing arrangements.
38. —“Reserve sharing arrangement” means an agreement between two or more load-serving entities to provide backup capacity.
39. —“Resource planning” means integrated supply and demand analyses completed as described in this Article.
40. —“RFP” means request for proposals.
41. —“Self generation” means the production of electricity by an end user.
42. —“Sensitivity analysis” means a systematic assessment of the degree of response of costs, reliability, or other measures of performance to changes in assumptions about factors that influence performance.
43. —“Short term” means having a duration of less than three years.
44. —“Spinning reserve” means the capacity a load-serving entity must maintain connected to the system and ready to deliver power promptly in the event of an unexpected loss of generation source, expressed as a percentage of peak load, as a percentage of the largest generating unit, or as in fixed megawatts.
45. —“Staff” means individuals working for the Commission’s Utilities Division, whether as employees or through contract.
46. —“Third party independent energy broker” means an entity, such as Prebon Energy or Tradition Financial Services, that facilitates an energy transaction between separate parties without taking title to the transaction.
47. —“Third party on-line trading system” means a computer-based marketplace for commodity exchanges provided by an entity that is not affiliated with the load-serving entity, such as the Intercontinental Exchange, California Independent System Operator, or New York Mercantile Exchange.
48. —“Total cost” means all capital, operating, maintenance, fuel, and decommissioning costs, plus the costs associated with mitigating any adverse environmental effects, incurred, by end users, load-serving entities, or others, in the provision or conservation of electric energy.

R14-2-702. — Applicability

- ~~A. — This Article applies to each load-serving entity, whether the power generated is for sale to end users or is for resale.~~
- ~~B. — An electricity public service corporation that becomes a load-serving entity by increasing its generating capacity to at least 50 megawatts combined shall provide written notice to the Commission within 30 days after the increase and shall comply with the filing requirements in this Article within two years after the notice is filed.~~
- ~~C. — The Commission may, by Order, exempt a load-serving entity from complying with any provision in this Article, or the Article as a whole, upon determining that:~~
- ~~1. — The burden of compliance with the provision, or the Article as a whole, exceeds the potential benefits to customers in the form of cost savings, service reliability, risk reductions, or reduced environmental impacts that would result from the load-serving entity's compliance with the provision or Article; and~~
 - ~~2. — The public interest will be served by the exemption.~~
- ~~D. — A load-serving entity that desires an exemption shall submit to Docket Control an application that includes, at a minimum:~~
- ~~1. — The reasons why the burden of complying with the Article, or the specific provision in the Article for which exemption is requested, exceeds the potential benefits to customers that would result from the load-serving entity's compliance with the provision or Article;~~
 - ~~2. — Data supporting the load-serving entity's assertions as to the burden of compliance and the potential benefits to customers that would result from compliance; and~~
 - ~~3. — The reasons why the public interest would be served by the requested exemption.~~
- ~~E. — A load-serving entity shall file with Docket Control, within 120 days after the effective date of these rules, the documents that would have been due on April 1, 2010, under R14-2-703(C), (D), (E), (F), and (H) had the revisions to those subsections been effective at that time.~~

R14-2-703. — Load-serving entity reporting requirements

- ~~A. — A load-serving entity shall, by April 1 of each year, file with Docket Control a compilation of the following items of demand-side data, including for each item for which no record is maintained the load-serving entity's best estimate and a full description of how the estimate was made:~~
- ~~1. — Hourly demand for the previous calendar year, disaggregated by:~~
 - ~~a. — Sales to end users;~~

- b. — Sales for resale;
 - c. — Energy losses; and
 - d. — Other disposition of energy, such as energy furnished without charge and energy used by the load-serving entity;
 - 2. — Coincident peak demand (megawatts) and energy consumption (megawatt-hours) by month for the previous 10 years, disaggregated by customer class;
 - 3. — Number of customers by customer class for each of the previous 10 years.; and
 - 4. — Reduction in load (kilowatt and kilowatt-hours) in the previous calendar year due to existing demand management measures, by type of demand management measure.
- B.** — A load-serving entity shall, by April 1 of each year, file with Docket Control a compilation of the following items of supply-side data, including for each item for which no record is maintained the load-serving entity's best estimate and a full description of how the estimate was made:
- 1. — For each generating unit and purchased power contract for the previous calendar year:
 - a. — In-service date and book life or contract period;
 - b. — Type of generating unit or contract;
 - c. — The load-serving entity's share of the generating unit's capacity, or of capacity under the contract, in megawatts;
 - d. — Maximum generating unit or contract capacity, by hour, day, or month, if such capacity varies during the year;
 - e. — Annual capacity factor (generating units only);
 - f. — Average heat rate of generating units and, if available, heat rates at selected output levels;
 - g. — Average fuel cost for generating units, in dollars per million Btu for each type of fuel;
 - h. — Other variable operating and maintenance costs for generating units, in dollars per megawatt hour;
 - i. — Purchased power energy costs for long-term contracts, in dollars per megawatt-hour;
 - j. — Fixed operating and maintenance costs of generating units, in dollars per megawatt;

- k. — Demand charges for purchased power;
 - l. — Fuel type for each generating unit;
 - m. — Minimum capacity at which the generating unit would be run or power must be purchased;
 - n. — Whether, under standard operating procedures, the generating unit must be run if it is available to run;
 - o. — Description of each generating unit as base load, intermediate, or peaking;
 - p. — Environmental impacts, including air emission quantities (in metric tons or pounds) and rates (in quantities per megawatt-hour) for carbon dioxide, nitrogen oxides, sulfur dioxide, mercury, particulates, and other air emissions subject to current or expected future environmental regulation;
 - q. — Water consumption quantities and rates; and
 - r. — Tons of coal ash produced per generating unit;
2. — For the power supply system for the previous calendar year:
- a. — A description of generating unit commitment procedures;
 - b. — Production cost;
 - c. — Reserve requirements;
 - d. — Spinning reserve;
 - e. — Reliability of generating, transmission, and distribution systems;
 - f. — Purchase and sale prices, averaged by month, for the aggregate of all purchases and sales related to short-term contracts; and
 - g. — Energy losses;
3. — The level of self-generation in the load-serving entity's service area for the previous calendar year; and
4. — An explanation of any resource procurement processes used by the load-serving entity during the previous calendar year that did not include use of an RFP, including the exception under which the process was used.
- C. — A load-serving entity shall, by April 1 of each even year, file with Docket Control a compilation of the following items of load data and analyses, which may include a reference to the last filing

made under this subsection for each item for which there has been no change in forecast since the last filing:

1. — Fifteen-year forecast of system coincident peak load (megawatts) and energy consumption (megawatt-hours) by month and year, expressed separately for residential, commercial, industrial, and other customer classes; for interruptible power; for resale; and for energy losses;
2. — Disaggregation of the load forecast of subsection (C)(1) into a component in which no additional demand management measures are assumed, and a component assuming the change in load due to additional forecasted demand management measures; and
3. — Documentation of all sources of data, analyses, methods, and assumptions used in making the load forecasts, including a description of how the forecasts were benchmarked and justifications for selecting the methods and assumptions used.

D. — A load-serving entity shall, by April 1 of each even year, file with Docket Control the following prospective analyses and plans, which shall compare a wide range of resource options and take into consideration expected duty cycles, cost projections, other analyses required under this Section, environmental impacts, and water consumption and may include a reference to the last filing made under this subsection for each item for which there has been no change since the last filing:

1. — A 15-year resource plan, providing for each year:
 - a. — Projected data for each of the items listed in subsection (B)(1), for each generating unit and purchased power source, including each generating unit that is expected to be new or refurbished during the period, which shall be designated as new or refurbished, as applicable, for the year of purchase or the period of refurbishment;
 - b. — Projected data for each of the items listed in subsection (B)(2), for the power supply system;
 - c. — The capital cost, construction time, and construction spending schedule for each generating unit expected to be new or refurbished during the period;
 - d. — The escalation levels assumed for each component of cost, such as, but not limited to, operating and maintenance, environmental compliance, system

- integration, backup capacity, and transmission delivery, for each generating unit and purchased power source.;
- e. — If discontinuation, decommissioning, or mothballing of any power source and or permanent derating of any generating facility is expected:
 - i. — Identification of each power source or generating unit involved;
 - ii. — The costs and spending schedule for each discontinuation, decommissioning, mothballing, or derating; and
 - iii. — The reasons for each discontinuation, decommissioning, mothballing, or derating;
 - f. — The capital costs and operating and maintenance costs of all new or refurbished transmission and distribution facilities expected during the 15-year period;
 - g. — An explanation of the need for and purpose of all expected new or refurbished transmission and distribution facilities., which explanation shall incorporate the load-serving entity's most recent transmission plan filed under A.R.S. § 40-360.02(A) and any relevant provisions of the Commission's most recent Biennial Transmission Assessment decision regarding the adequacy of transmission facilities in Arizona; and
 - h. — Cost analyses and cost projections;
- 2. — Documentation of the data, assumptions, and methods or models used to forecast production costs and power production for the 15-year resource plan, including the method by which the forecast was benchmarked;
 - 3. — A description of each potential power source that was rejected; the capital costs, operating costs, and maintenance costs of each rejected source; and an explanation of the reasons for rejecting each source;
 - 4. — A 15-year forecast of self-generation by customers of the load-serving entity, in terms of annual peak production (megawatts) and annual energy production (megawatt-hours).;
 - 5. — Disaggregation of the forecast of subsection (D)(4) into two components, one reflecting the self-generation projected if no additional efforts are made to self-generation, and one reflecting the self-generation projected to result from the load-serving entity's institution of additional forecasted self-generation measures;

6. — A 15-year forecast of the annual capital costs and operating and maintenance costs of the self-generation identified under subsections (D)(4) and (D)(5);
7. — Documentation of the analysis of the self-generation under subsections (D)(4) through (6);
8. — A plan that considers using a wide range of resources and promotes fuel and technology diversity within its portfolio;
9. — A calculation of the benefits of generation using renewable energy resources;
10. — A plan that factors in the delivered cost of all resource options, including costs associated with environmental compliance, system integration, backup capacity, and transmission delivery;
11. — Analysis of integration costs for intermittent resources;
12. — A plan to increase the efficiency of the load-serving entity's generation using fossil fuel;
13. — Data to support technology choices for supply-side resources;
14. — A description of the demand management programs or measures included in the 15-year resource plan, including for each demand management program or measure:
 - a. — How and when the program or measure will be implemented;
 - b. — The projected participation level by customer class for the program or measure;
 - c. — The expected change in peak demand and energy consumption resulting from the program or measure;
 - d. — The expected reductions in environmental impacts including air emissions, solid waste, and water consumption attributable to the program or measure;
 - e. — The expected societal benefits, societal costs, and cost-effectiveness of the program or measure;
 - f. — The expected life of the measure; and
 - g. — The capital costs, operating costs, and maintenance costs of the measure, and the program costs;
15. — For each demand management measure that was considered but rejected:
 - a. — A description of the measure;
 - b. — The estimated change in peak demand and energy consumption from the measure;
 - c. — The estimated cost-effectiveness of the measure;

- d. — The capital costs, operating costs, and maintenance costs of the measure, and the program costs; and
- e. — The reasons for rejecting the measure;
- 16. — Analysis of future fuel supplies that are part of the resource plan; and
- 17. — A plan for reducing environmental impacts related to air emissions, solid waste, and other environmental factors, and a plan for reducing water consumption. The costs for compliance with current and projected future environmental regulations shall be included in the analysis of resources required by R14-2-703(D) and (E). A load-serving entity or any interested parties may also provide, for the Commission's consideration, analyses and supporting data pertaining to environmental impacts associated with the generation or delivery of electricity, which may include monetized estimates of environmental impacts that are not included as costs for compliance. Values or factors for compliance costs, environmental impacts, or monetization of environmental impacts may be developed and reviewed by the Commission in other proceedings or stakeholder workshops.
- E. — A load-serving entity shall, by April 1 of each even year, file with Docket Control a compilation of the following analyses and plan:
 - 1. — Analyses to identify and assess errors, risks, and uncertainties in the following, completed using methods such as sensitivity analysis and probabilistic analysis:
 - a. — Demand forecasts;
 - b. — The costs of demand management measures and power supply;
 - c. — The availability of sources of power;
 - d. — The costs of compliance with existing and expected environmental regulations;
 - e. — Any analysis by the load-serving entity in anticipation of potential new or enhanced environmental regulations;
 - f. — Changes in fuel prices, and availability;
 - g. — Construction costs, capital costs, and operating costs; and
 - h. — Other factors the load-serving entity wishes to consider;.
 - 2. — A description and analysis of available means for managing the errors, risks, and uncertainties identified and analyzed in subsection (E)(1), such as obtaining additional information, limiting risk exposure, using incentives, creating additional options,

incorporating flexibility, and participating in regional generation and transmission projects; and

3. A plan to manage the errors, risks, and uncertainties identified and analyzed in subsection (E)(1).
- F. A load-serving entity shall, by April 1 of each even year, file with Docket Control a 15-year resource plan that:
1. Selects a portfolio of resources based upon comprehensive consideration of a wide range of supply and demand-side options;
 2. Will result in the load-serving entity's reliably serving the demand for electric energy services;
 3. Will address the adverse environmental impacts of power production;
 4. Will include renewable energy resources so as to meet at least the greater of the Annual Renewable Energy Requirement in R14-2-1804 or the following annual percentages of retail kWh sold by the load-serving entity:

Calendar Year	Percentage of Retail kWh sold during calendar Year
2010	2.5%
2011	3.0%
2012	3.5%
2013	4.0%
2014	4.5%
2015	5.0%
2016	6.0%
2017	7.0%
2018	8.0%
2019	9.0%
2020	10.0%
2021	11.0%
2022	12.0%

2023	13.0%
2024	14.0%
after 2024	15.0%

5. Will include distributed generation energy resources so as to meet at least the greater of the Distributed Renewable Energy Requirement in R14-2-1805 or the following annual percentages as applied to the load-serving entity's Annual Renewable Energy Requirement:
- 2007 — 5%
 - 2008 — 10%
 - 2009 — 15%
 - 2010 — 20%
 - 2011 — 25%
 - After 2011 — 30%
6. Will address energy efficiency so as to meet any requirements set in rule by the Commission;
7. Will effectively manage the uncertainty and risks associated with costs, environmental impacts, load forecasts, and other factors;
8. Will achieve a reasonable long-term total cost, taking into consideration the objectives set forth in subsections (F)(2) (7) and the uncertainty of future costs; and
9. Contains all of the following:
- a. A complete description and documentation of the plan, including supply and demand conditions, availability of transmission, costs, and discount rates utilized;
 - b. A comprehensive, self-explanatory load and resources table summarizing the plan;
 - c. A brief executive summary;
 - d. An index to indicate where the responses to each filing requirement of these rules can be found; and
 - e. Definitions of the terms used in the plan.
- G. A load-serving entity shall, by April 1 of each odd year, file with Docket Control a work plan that includes:

1. An outline of the contents of the resource plan the load-serving entity is developing to be filed the following year as required under subsection (F);
 2. The load-serving entity's method for assessing potential resources;
 3. The sources of the load-serving entity's current assumptions; and
 4. An outline of the timing and extent of public participation and advisory group meetings the load-serving entity intends to hold before completing and filing the resource plan.
- H.** With its resource plan, a load-serving entity shall include an action plan, based on the results of the resource planning process, that:
1. Includes a summary of actions to be taken on future resource acquisitions;
 2. Includes details on resource types, resources capacity, and resource timing; and
 3. Covers the three-year period following the Commission's acknowledgment of the resource plan.
- I.** If a load-serving entity's submission does not contain sufficient information to allow Staff to analyze the submission fully for compliance with this Article, Staff shall request additional information from the load-serving entity, including the data used in the load-serving entity's analyses.
- J.** Staff may request that a load-serving entity complete additional analyses to improve specified components of the load-serving entity's submissions.
- K.** If a load-serving entity believes that a data-reporting requirement may result in disclosure of confidential business data or confidential electricity infrastructure information, the load-serving entity may submit to Staff a request that the data be submitted to Staff under a confidentiality agreement, which request shall include an explanation justifying the confidential treatment of the data.
- L.** Data protected by a confidentiality agreement shall not be submitted to Docket Control and will not be open to public inspection or otherwise made public except upon an order of the Commission entered after written notice to the load-serving entity.
- R14-2-704. Commission review of load-serving entity resource plans**
- A.** By October 1 of each even year, Staff shall file a report that contains its analysis and conclusions regarding its statewide review and assessments of the load-serving entities' filings made under R14-2-703(C), (D), (E), (F), and (H).

- B.** — By February 1 of each odd year, the Commission shall issue an order acknowledging a load-serving entity's resource plan or issue an order stating the reasons for not acknowledging the resource plan. The Commission shall order an acknowledgment of a load-serving entity's resource plan, with or without amendment, if the Commission determines that the resource plan, as amended if applicable, complies with the requirements of this Article and that the load-serving entity's resource plan is reasonable and in the public interest, based on the information available to the Commission at the time and considering the following factors:
1. — The total cost of electric energy services;
 2. — The degree to which the factors that affect demand, including demand management, have been taken into account;
 3. — The degree to which supply alternatives, such as self generation, have been taken into account;
 4. — Uncertainty in demand and supply analyses, forecasts, and plans, and whether plans are sufficiently flexible to enable the load-serving entity to respond to unforeseen changes in supply and demand factors;
 5. — The reliability of power supplies, including fuel diversity and non-cost considerations;
 6. — The reliability of the transmission grid;
 7. — The degree to which the load-serving entity considered all relevant resources, risks, and uncertainties;
 8. — The degree to which the load-serving entity's plan for future resources is in the best interest of its customers;
 9. — The best combination of expected costs and associated risks for the load-serving entity and its customers; and
 10. — The degree to which the load-serving entity's resource plan allows for coordinated efforts with other load-serving entities.
- C.** — The Commission may hold a hearing or workshop regarding a load-serving entity's resource plan. If the Commission holds such a hearing or workshop, the Commission may extend the February 1 deadline for the Commission to issue an order regarding acknowledgment under subsection (B).

- D.** While no particular future ratemaking treatment is implied by or shall be inferred from the Commission's acknowledgement, the Commission shall consider a load-serving entity's filings made under R14-2-703 when the Commission evaluates the performance of the load-serving entity in subsequent rate cases and other proceedings.
- E.** A load-serving entity may seek Commission approval of specific resource planning actions.
- F.** A load-serving entity may file an amendment to an acknowledged resource plan if changes in conditions or assumptions necessitate a material change in the load-serving entity's plan before the next resource plan is due to be filed.

R14-2-705. Procurement

- A.** Except as provided in subsection (B), a load-serving entity may use the following procurement methods for the wholesale acquisition of energy, capacity, and physical power hedge transactions:
1. Purchase through a third-party on-line trading system;
 2. Purchase from a third-party independent energy broker;
 3. Purchase from a non-affiliated entity through auction or an RFP process;
 4. Bilateral contract with a non-affiliated entity;
 5. Bilateral contract with an affiliated entity, provided that non-affiliated entities were provided notice and an opportunity to compete against the affiliated entity's proposal before the transaction was executed; and
 6. Any other competitive procurement process approved by the Commission.
- B.** A load-serving entity shall use an RFP process as its primary acquisition process for the wholesale acquisition of energy and capacity, unless one of the following exceptions applies:
1. The load-serving entity is experiencing an emergency;
 2. The load-serving entity needs to make a short-term acquisition to maintain system reliability;
 3. The load-serving entity needs to acquire other components of energy procurement, such as fuel, fuel transportation, and transmission projects;
 4. The load-serving entity's planning horizon is two years or less;
 5. The transaction presents the load-serving entity a genuine, unanticipated opportunity to acquire a power supply resource at a clear and significant discount, compared to the cost

of acquiring new generating facilities, and will provide unique value to the load-serving entity's customers;

6. — The transaction is necessary for the load-serving entity to satisfy an obligation under the Renewable Energy Standard rules; or

7. — The transaction is necessary for the load-serving entity's demand-side management or demand response programs.

C. — A load-serving entity shall engage an independent monitor to oversee all RFP processes for procurement of new resources.

R14-2-706. — Independent Monitor Selection and Responsibilities

A. — When a load-serving entity contemplates engaging in an RFP process, the load-serving entity shall consult with Staff regarding the identity of companies or consultants that could serve as independent monitor for the RFP process.

B. — After consulting with Staff, a load-serving entity shall create a vendor list of three to five candidates to serve as independent monitor and shall file the vendor list with Docket Control to allow interested persons time to review and file objections to the vendor list.

C. — An interested person shall file with Docket Control, within 30 days after a vendor list is filed with Docket Control, any objection that the interested person may have to a candidate's inclusion on a vendor list.

D. — Within 60 days after a vendor list is filed with Docket Control, Staff shall issue a notice identifying each candidate on the vendor list that Staff considers to be qualified to serve as independent monitor for the contemplated RFP process. In making its determination, Staff shall consider the experience of the candidates, the professional reputation of the candidates, and any objections filed by interested persons.

E. — A load-serving entity that has completed the actions required by subsections (A) and (B) to comply with a particular Commission Decision is deemed to have complied with subsections (A) and (B) and is not required to repeat those actions.

F. — A load-serving entity may retain as independent monitor for the contemplated RFP process and for its future RFP processes any of the candidates identified in Staff's notice.

G. — A load-serving entity shall file with Docket Control a written notice of its retention of an independent monitor.

- ~~H. — A load-serving entity is responsible for paying the independent monitor for its services and may charge a reasonable bidder's fee to each bidder in the RFP process to help offset the cost of the independent monitor's services. A load-serving entity may request recovery of the cost of the independent monitor's services, to the extent that the cost is not offset by bidder's fees, in a subsequent rate case. The Commission shall use its discretion in determining whether to allow the cost to be recovered through customer rates.~~
- ~~I. — One week prior to the deadline for submitting bids, a load-serving entity shall provide the independent monitor a copy of any bid proposal prepared by the load-serving entity or entity affiliated with the load-serving entity and of any benchmark or reference cost the load-serving entity has developed for use in evaluating bids. The independent monitor shall take steps to secure the load-serving entity's bid proposal and any benchmark or reference cost so that they are inaccessible to any bidder, the load-serving entity, and any entity affiliated with the load-serving entity.~~
- ~~J. — Upon Staff's request, the independent monitor shall provide status reports to Staff throughout the RFP process.~~

ARTICLE 16. RETAIL ELECTRIC COMPETITION

R14-2-1618 — Environmental Portfolio Standard

- ~~A. Upon the effective implementation of a Commission-approved Environmental Portfolio Standard Surcharge tariff, any Load Serving Entity selling electricity or aggregating customers for the purpose of selling electricity under the provisions of this Article must derive at least .2% of the total retail energy sold from new solar resources or environmentally friendly renewable electricity technologies, whether that energy is purchased or generated by the seller. Solar resources include photovoltaic resources and solar thermal resources that generate electricity. New solar resources and environmentally friendly renewable electricity technologies are those installed on or after January 1, 1997.~~
- ~~1. Electric Service Providers, that are not UDCs, are exempt from portfolio requirements until 2004, but could voluntarily elect to participate. ESPs choosing to participate would receive a pro rata share of funds collected from the Environmental Portfolio Surcharge delineated in R14-2-~~

~~1618.A.2 for portfolio purposes to acquire eligible portfolio systems or electricity generated from such systems.~~

~~2. Utility Distribution Companies would recover part of the costs of the portfolio standard through current System Benefits Charges, if they exist, including a re-allocation of demand side management funding to portfolio uses. Additional portfolio standard costs will be recovered by a customer Environmental Portfolio Surcharge on the customers' monthly bill. The Environmental Portfolio Surcharge shall be assessed monthly to every metered and/or non-metered retail electric service. This monthly assessment will be the lesser of \$0.000875 per kWh or:~~

- ~~a. Residential Customers: \$.35 per service;~~
- ~~b. Non-Residential Customers: \$13 per service;~~
- ~~c. Non-Residential Customers whose metered demand is 3,000 kW or more for three consecutive months: \$39.00 per service. In the case of unmetered services, the Load Serving Entity shall, for purposes of billing the Environmental Portfolio Standard Surcharge and subject to the caps set forth above, use the lesser of (i) the load profile or otherwise estimated kWh required to provide the service in question; or (ii) the service's contract kWh.~~

~~3. Customer bills shall reflect a line item entitled "Environmental Portfolio Surcharge, mandated by the Corporation Commission."~~

~~4. Utility Distribution Companies or ESPs that do not currently have a renewables program may request a waiver or modification of this Section due to extreme circumstances that may exist.~~

~~B. The portfolio percentage shall increase after December 31, 2000.~~

~~1. Starting January 1, 2001, the portfolio percentage shall increase annually and shall be set according to the following schedule:~~

YEAR	PORTFOLIO PERCENTAGE
2001	.2%
2002	.4%
2003	.6%
2004	.8%
2005	1.0%
2006	1.05%
2007-2012	1.1%

2. ~~The Commission would continue the annual increase in the portfolio percentage after December 31, 2004, only if the cost of environmental portfolio electricity has declined to a Commission-approved cost/benefit point. The Director, Utilities Division shall establish, not later than January 1, 2003, an Environmental Portfolio Cost Evaluation Working Group to make recommendations to the Commission of an acceptable portfolio electricity cost/benefit point or portfolio kWh cost impact maximum that the Commission could use as a criteria for the decision to continue the increase in the portfolio percentage. The recommendations of the Working Group shall be presented to the Commission not later than June 30, 2003. In no event, however, shall the Commission increase the surcharge caps as delineated in R14-2-1618(A)(2).~~
3. ~~The requirements for the phase-in of various technologies shall be:~~
 - a. ~~In 2001, the Portfolio kWh makeup shall be at least 50 percent solar electric, and no more than 50 percent other environmentally friendly renewable electricity technologies or solar hot water or R&D on solar electric resources, but with no more than 10 percent on R&D.~~
 - b. ~~In 2002 and 2003, the Portfolio kWh makeup shall be at least 50 percent solar electric, and no more than 50 percent other environmentally friendly renewable electricity technologies or solar hot water or R&D on solar electric resources, but with no more than 5 percent on R&D.~~
 - c. ~~In 2004, through 2012, the portfolio kWh makeup shall be at least 60 percent solar electric with no more than 40 percent solar hot water or other environmentally friendly renewable electricity technologies.~~
- C. ~~Load-Serving Entities shall be eligible for a number of extra-credit multipliers that may be used to meet the portfolio standard requirements. Extra credits may be used to meet portfolio requirements and extra credits from solar electric technologies will also count toward the solar electric fraction requirements in R14-2-1618(B)(3). With the exception of the Early Installation Extra-Credit Multiplier, which has a five-year life from operational start-up, all other extra-credit multipliers are valid for the life of the generating equipment.~~
 1. ~~Early Installation Extra-Credit Multiplier: For new solar electric systems installed and operating prior to December 31, 2003, Load-Serving Entities would qualify for multiple extra credits for kWh produced for five years following operational start-up of the solar electric system. The five-year extra credit would vary depending upon the year in which the system started up, as follows:~~

YEAR ————— EXTRA CREDIT MULTIPLIER

1997 ————— .5

1998 ————— .5

1999 ————— .5

2000 ————— .4

2001 ————— .3

2002 ————— .2

2003 ————— .1

Eligibility to qualify for the Early Installation Extra Credit Multiplier would end in 2003. However, any eligible system that was operational in 2003 or before would still be allowed the applicable extra credit for the full five years after operational start-up.

2. ~~Solar Economic Development Extra Credit Multipliers: There are two equal parts to this multiplier, an in-state installation credit and an in-state content multiplier.~~

a. ~~In-State Power Plant Installation Extra Credit Multiplier: Solar electric power plants installed in Arizona shall receive a .5 extra credit multiplier.~~

b. ~~In-State Manufacturing and Installation Content Extra Credit Multiplier: Solar electric power plants shall receive up to a .5 extra credit multiplier related to the manufacturing and installation content that comes from Arizona. The percentage of Arizona content of the total installed plant cost shall be multiplied by .5 to determine the appropriate extra credit multiplier. So, for instance, if a solar installation included 80% Arizona content, the resulting extra credit multiplier would be .4 (which is .8 X .5).~~

3. ~~Distributed Solar Electric Generator and Solar Incentive Program Extra Credit Multiplier: Any distributed solar electric generator that meets more than one of the eligibility conditions will be limited to only one .5 extra credit multiplier from this subsection. Appropriate meters will be attached to each solar electric generator and read at least once annually to verify solar performance.~~

a. ~~Solar electric generators installed at or on the customer premises in Arizona. Eligible customer premises locations will include both grid-connected and remote, non-grid-connected locations. In order for Load-Serving Entities to claim an extra credit multiplier,~~

- ~~the Load-Serving Entity must have contributed at least 10% of the total installed cost or have financed at least 80% of the total installed cost.~~
- ~~b. Solar electric generators located in Arizona that are included in any Load-Serving Entity's Green Pricing program.~~
 - ~~c. Solar electric generators located in Arizona that are included in any Load-Serving Entity's Net Metering or Net Billing program.~~
 - ~~d. Solar electric generators located in Arizona that are included in any Load-Serving Entity's solar leasing program.~~
 - ~~e. All Green Pricing, Net Metering, Net Billing, and Solar Leasing programs must have been reviewed and approved by the Director, Utilities Division in order for the Load-Serving Entity to accrue extra credit multipliers from this subsection.~~
- ~~4. All multipliers are additive, allowing a maximum combined extra credit multiplier of 2.0 in years 1997-2003, for equipment installed and manufactured in Arizona and either installed at customer premises or participating in approved solar incentive programs. So, if a Load-Serving Entity qualifies for a 2.0 extra credit multiplier and it produces 1 solar kWh, the Load-Serving Entity would get credit for 3 solar kWh (1 produced plus 2 extra credit).~~
- ~~**D.** Load-Serving Entities selling electricity under the provisions of this Article shall provide reports on sales and portfolio power as required in this Article, clearly demonstrating the output of portfolio resources, the installation date of portfolio resources, and the transmission of energy from those portfolio resources to Arizona consumers. The Commission may conduct necessary monitoring to ensure the accuracy of these data. Reports shall be made according to the Reporting Schedule in R14-2-1613(B).~~
- ~~**E.** Photovoltaic or solar thermal electric resources that are located on the consumer's premises shall count toward the Environmental Portfolio Standard applicable to the current Load-Serving Entity serving that consumer unless a different Load-Serving Entity is entitled to receive credit for such resources under the provisions of R14-2-1618(C)(3)(a).~~
- ~~**F.** Any solar electric generators installed by an Affected Utility to meet the environmental portfolio standard shall be counted toward meeting renewable resource goals for Affected Utilities established in Decision No. 58643.~~

- ~~G. Any Load-Serving Entity that produces or purchases any eligible kWh in excess of its annual portfolio requirements may save or bank those excess kWh for use or sale in future years. Any eligible kWh produced subject to this rule may be sold or traded to any Load-Serving Entity that is subject to this rule. Appropriate documentation, subject to Commission review, shall be given to the purchasing entity and shall be referenced in the reports of the Load-Serving Entity that is using the purchased kWh to meet its portfolio requirements.~~
- ~~H. Environmental Portfolio Standard requirements shall be calculated on an annual basis, based upon electricity sold during the calendar year.~~
- ~~I. A Load-Serving Entity shall be entitled to receive a partial credit against the portfolio requirement if the Load-Serving Entity or its affiliate owns or makes a significant investment in any solar electric manufacturing plant that is located in Arizona. The credit will be equal to the amount of the nameplate capacity of the solar electric generators produced in Arizona and sold in a calendar year times 2,190 hours (approximating a 25% capacity factor).~~
- ~~1. The credit against the portfolio requirement shall be limited to the following percentages of the total portfolio requirement:~~
- ~~2001: Maximum of 50% of the portfolio requirement~~
- ~~2002: Maximum of 25% of the portfolio requirement~~
- ~~2003 and on: Maximum of 20% of the portfolio requirement~~
- ~~2. No extra credit multipliers will be allowed for this credit. In order to avoid double-counting of the same equipment, solar electric generators that are used by other Load-Serving Entities to meet their Arizona portfolio requirements will not be allowable for credits under this Section for the manufacturer/Electric Service Provider to meet its portfolio requirements.~~
- ~~J. The Director, Utilities Division shall develop appropriate safety, durability, reliability, and performance standards necessary for solar generating equipment and environmentally friendly renewable electricity technologies and to qualify for the portfolio standard. Standards requirements will apply only to facilities constructed or acquired after the standards are publicly issued.~~
- ~~K. A Load-Serving Entity shall be entitled to meet up to 20% of the portfolio requirement with solar water heating systems or solar air conditioning systems purchased by the Load-Serving Entity for use by its customers, or purchased by its customers and paid for by the Load-Serving Entity through bill credits or other similar mechanisms. The solar water heaters must replace or~~

~~supplement the use of electric water heaters for residential, commercial, or industrial water heating purposes. For the purposes of this rule, solar water heaters will be credited with 1 kWh of electricity produced for each 3,415 British Thermal Units of heat produced by the solar water heater and solar air conditioners shall be credited with kWhs equivalent to those needed to produce a comparable cooling load reduction. Solar water heating systems and solar air conditioning systems shall be eligible for Early Installation Extra Credit Multipliers as defined in R14-2-1618(C)(1) and Solar Economic Development Extra Credit Multipliers as defined in R14-2-1618(C)(2)(b).~~

- ~~L. A Load-Serving Entity shall be entitled to meet the portfolio requirement with electricity produced in Arizona by environmentally friendly renewable electricity technologies that are defined as in-state landfill gas generators, wind generators, and biomass generators, consistent with the phase-in schedule in R14-2-1618(B)(3). Systems using such technologies shall be eligible for Early Installation Extra Credit Multipliers as defined in R14-2-1618(C)(1) and Solar Economic Development Extra Credit Multipliers as defined in R14-2-1618(C)(2)(b).~~

ARTICLE 18. RENEWABLE ENERGY STANDARD AND TARIFF

R14-2-1801. Definitions

- ~~A. "Affected Utility" means a public service corporation serving retail electric load in Arizona, but excluding any Utility Distribution Company with more than half of its customers located outside of Arizona.~~
- ~~B. "Annual Renewable Energy Requirement" means the portion of an Affected Utility's annual retail electricity sales that must come from Eligible Renewable Energy Resources.~~
- ~~C. "Conventional Energy Resource" means an energy resource that is non-renewable in nature, such as natural gas, coal, oil, and uranium, or electricity that is produced with energy resources that are not Renewable Energy Resources.~~
- ~~D. "Customer Self-Directed Renewable Energy Option" means a Commission-approved program under which an Eligible Customer may self-direct the use of its allocation of funds collected pursuant to an Affected Utility's Tariff.~~
- ~~E. "Distributed Generation" means electric generation sited at a customer premises, providing electric energy to the customer load on that site or providing wholesale capacity and energy to the local Utility~~

~~Distribution Company for use by multiple customers in contiguous distribution substation service areas. The generator size and transmission needs shall be such that the plant or associated transmission lines do not require a Certificate of Environmental Compatibility from the Corporation Commission.~~

~~F. "Distributed Renewable Energy Requirement" means a portion of the Annual Renewable Energy Requirement that must be met with Renewable Energy Credits derived from resources that qualify as Distributed Renewable Energy Resources pursuant to R14-2-1802(B).~~

~~G. "Distributed Solar Electric Generator" means electric generation sited at a customer premises, providing electric energy from solar electric resources to the customer load on that site or providing wholesale capacity and energy to the local Utility Distribution Company for use by multiple customers in contiguous distribution substation service areas. The generator size and transmission needs shall be such that the plant or associated transmission lines do not require a Certificate of Environmental Compatibility from the Corporation Commission.~~

~~H. "Eligible Customer" means an entity that pays Tariff funds of at least \$25,000 annually for any number of related accounts or services within an Affected Utility's service area.~~

~~I. "Extra Credit Multiplier" means a way to increase the Renewable Energy Credits attributable to specific Eligible Renewable Energy Resources in order to encourage specific renewable applications.~~

~~J. "Green Pricing" means a rate option in which a customer elects to pay a tariffed rate premium for electricity derived from Eligible Renewable Energy Resources.~~

~~K. "Market Cost of Comparable Conventional Generation" means the Affected Utility's energy and capacity cost of producing or procuring the incremental electricity that would be avoided by the resources used to meet the Annual Renewable Energy Requirement, taking into account hourly, seasonal, and long-term supply and demand circumstances. Avoided costs include any avoided transmission and distribution costs and any avoided environmental compliance costs.~~

~~L. "Net Billing" means a system of billing a customer who installs an Eligible Renewable Energy Resource generator on the customer's premises for retail electricity purchased at retail rates while crediting the customer's bill for any customer-generated electricity sold to the Affected Utility at avoided cost.~~

~~M. "Net Metering" means a system of metering electricity by which the Affected Utility credits the customer at the full retail rate for each kilowatt-hour of electricity produced by an Eligible Renewable Energy Resource system installed on the customer-generator's side of the electric meter, up to the total~~

~~amount of electricity used by that customer during an annualized period, and which compensates the customer-generator at the end of the annualized period for any excess credits at a rate equal to the Affected Utility's avoided cost of wholesale power. The Affected Utility does not charge the customer-generator any additional fees or charges or impose any equipment or other requirements unless the same is imposed on customers in the same rate class that the customer-generator would qualify for if the customer-generator did not have generation equipment.~~

~~N. "Renewable Energy Credit" means the unit created to track kWh derived from an Eligible Renewable Energy Resource or kWh equivalent of Conventional Energy Resources displaced by Distributed Renewable Energy Resources.~~

~~O. "Renewable Energy Resource" means an energy resource that is replaced rapidly by a natural, ongoing process and that is not nuclear or fossil fuel.~~

~~P. "Tariff" means a Commission-approved rate designed to recover an Affected Utility's reasonable and prudent costs of complying with these rules.~~

~~Q. "Utility Distribution Company" means a public service corporation that operates, constructs, or maintains a distribution system for the delivery of power to retail customers.~~

~~R. "Wholesale Distributed Generation Component" means non-utility owners of Eligible Renewable Energy Resources that are located within the distribution system and that do not require a transmission line over 69 kv to deliver power at wholesale to an Affected Utility to meet its Annual Renewable Energy Requirements.~~

~~R14-2-1802. Eligible Renewable Energy Resources~~

~~A. "Eligible Renewable Energy Resources" are applications of the following defined technologies that displace Conventional Energy Resources that would otherwise be used to provide electricity to an Affected Utility's Arizona customers:~~

- ~~1. "Biogas Electricity Generator" is a generator that produces electricity from gases that are derived from plant-derived organic matter, agricultural food and feed matter, wood wastes, aquatic plants, animal wastes, vegetative wastes, or wastewater treatment facilities using anaerobic digestion or from municipal solid waste through a digester process, an oxidation process, or other gasification process.~~
- ~~2. "Biomass Electricity Generator" is an electricity generator that uses any raw or processed plant-derived organic matter available on a renewable basis, including: dedicated energy crops and trees;~~

agricultural food and feed crops; agricultural crop wastes and residues; wood wastes and residues, including landscape waste, right-of-way tree trimmings, or small diameter forest thinnings that are 12" in diameter or less; dead and downed forest products; aquatic plants; animal wastes; other vegetative waste materials; non-hazardous plant matter waste material that is segregated from other waste; forest-related resources, such as harvesting and mill residue, pre-commercial thinnings, slash, and brush; miscellaneous waste, such as waste pellets, crates, and dunnage; and recycled paper fibers that are no longer suitable for recycled paper production, but not including painted, treated, or pressurized wood, wood contaminated with plastics or metals, tires, or recyclable post-consumer waste paper.

3. ~~"Distributed Renewable Energy Resources" as defined in subsection (B).~~
4. ~~"Eligible Hydropower Facilities" are hydropower generators that were in existence prior to 1997 and that satisfy one of the following two criteria:~~
 - a. ~~New Increased Capacity of Existing Hydropower Facilities: A hydropower facility that increases capacity due to improved technological or operational efficiencies or operational improvements resulting from improved or modified turbine design, improved or modified wicket gate assembly design, improved hydrological flow conditions, improved generator windings, improved electrical excitation systems, increases in transformation capacity, and improved system control and operating limit modifications. The electricity kWh that are eligible to meet the Annual Renewable Energy Requirements shall be limited to the new, incremental kWh output resulting from the capacity increase that is delivered to Arizona customers to meet the Annual Renewable Energy Requirement.~~
 - b. ~~Generation from pre-1997 hydropower facilities that is used to firm or regulate the output of other eligible, intermittent renewable resources. The electricity kWh that are eligible to meet the Annual Renewable Energy Requirements shall be limited to the kWh actually generated to firm or regulate the output of eligible intermittent Renewable Energy Resources and that are delivered to Arizona customers to meet the Annual Renewable Energy Requirements.~~
5. ~~"Fuel Cells that Use Only Renewable Fuels" are fuel cell electricity generators that operate on renewable fuels, such as hydrogen created from water by Eligible Renewable Energy Resources. Hydrogen created from non-Renewable Energy Resources, such as natural gas or petroleum products, is not a renewable fuel.~~

6. ~~“Geothermal Generator” is an electricity generator that uses heat from within the earth’s surface to produce electricity.~~
7. ~~“Hybrid Wind and Solar Electric Generator” is a system in which a Wind Generator and a solar electric generator are combined to provide electricity.~~
8. ~~“Landfill Gas Generator” is an electricity generator that uses methane gas obtained from landfills to produce electricity.~~
9. ~~“New Hydropower Generator of 10 MW or Less” is a generator, installed after January 1, 2006, that produces 10 MW or less and is either:~~
 - a. ~~A low-head, micro hydro run-of-the-river system that does not require any new damming of the flow of the stream; or~~
 - b. ~~An existing dam that adds power generation equipment without requiring a new dam, diversion structures, or a change in water flow that will adversely impact fish, wildlife, or water quality; or~~
 - c. ~~Generation using canals or other irrigation systems.~~
10. ~~“Solar Electricity Resources” use sunlight to produce electricity by either photovoltaic devices or solar thermal electric resources.~~
11. ~~“Wind Generator” is a mechanical device that is driven by wind to produce electricity.~~
- B.** ~~“Distributed Renewable Energy Resources” are applications of the following defined technologies that are located at a customer’s premises and that displace Conventional Energy Resources that would otherwise be used to provide electricity to Arizona customers:~~
 1. ~~“Biogas Electricity Generator,” “Biomass Electricity Generator,” “Geothermal Generator,” “Fuel Cells that Use Only Renewable Fuels,” “New Hydropower Generator of 10 MW or Less,” or “Solar Electricity Resources,” as each of those terms is defined in subsections (A)(1), (A)(2), (A)(5), (A)(6), (A)(9), and (A)(10).~~
 2. ~~“Biomass Thermal Systems” and “Biogas Thermal Systems” are systems which use fuels as defined in subsections (A)(1) and (A)(2) to produce thermal energy and that comply with Environmental Protection Agency Certification Programs or are permitted by state, county, or local air quality authorities. For purposes of this definition “Biomass Thermal Systems” and “Biogas Thermal Systems” do not include biomass and wood stoves, furnaces, and fireplaces.~~

3. ~~“Commercial Solar Pool Heaters” are devices that use solar energy to heat commercial or municipal swimming pools.~~
 4. ~~“Geothermal Space Heating and Process Heating Systems” are systems that use heat from within the earth’s surface for space heating or for process heating.~~5. ~~“Renewable Combined Heat and Power System” is a Distributed Generation system, fueled by an Eligible Renewable Energy Resource, that produces both electricity and useful renewable process heat. Both the electricity and renewable process heat may be used to meet the Distributed Renewable Energy Requirement.~~
 6. ~~“Solar Daylighting” is the non-residential application of a device specifically designed to capture and redirect the visible portion of the solar beam, while controlling the infrared portion, for use in illuminating interior building spaces in lieu of artificial lighting.~~
 7. ~~“Solar Heating, Ventilation, and Air Conditioning” (“HVAC”) is the combination of Solar Space Cooling and Solar Space Heating as part of one system.~~
 8. ~~“Solar Industrial Process Heating and Cooling” is the use of solar thermal energy for industrial or commercial manufacturing or processing applications.~~
 9. ~~“Solar Space Cooling” is a technology that uses solar thermal energy absent the generation of electricity to drive a refrigeration machine that provides for space cooling in a building.~~
 10. ~~“Solar Space Heating” is a method whereby a mechanical system is used to collect solar energy to provide space heating for buildings.~~
 11. ~~“Solar Water Heater” is a device that uses solar energy rather than electricity or fossil fuel to heat water for residential, commercial, or industrial purposes.~~
 12. ~~“Wind Generator of 1 MW or Less” is a mechanical device, with an output of 1 MW or less, that is driven by wind to produce electricity.~~
- C.** ~~Except as provided in subsection (A)(4), Eligible Renewable Energy Resources shall not include facilities installed before January 1, 1997.~~
- D.** ~~The Commission may adopt pilot programs in which additional technologies are established as Eligible Renewable Energy Resources. Any such additional technologies shall be Renewable Energy Resources that produce electricity, replace electricity generated by Conventional Energy Resources, or replace the use of fossil fuels with Renewable Energy Resources. Energy conservation products, energy management products, energy efficiency products, or products that use non-renewable fuels shall not be eligible for these pilot programs.~~

~~R14-2-1803. Renewable Energy Credits~~

- ~~A. One Renewable Energy Credit shall be created for each kWh derived from an Eligible Renewable Energy Resource.~~
- ~~B. For Distributed Renewable Energy Resources, one Renewable Energy Credit shall be created for each 3,415 British Thermal Units of heat produced by a Solar Water Heating System, a Solar Industrial Process Heating and Cooling System, Solar Space Cooling System, Biomass Thermal System, Biogas Thermal System, or a Solar Space Heating System.~~
- ~~C. An Affected Utility may transfer Renewable Energy Credits to another party and may acquire Renewable Energy Credits from another party. A Renewable Energy Credit is owned by the owner of the Eligible Renewable Energy Resource from which it was derived unless specifically transferred.~~
- ~~D. All transfers of Renewable Energy Credits shall be appropriately documented to demonstrate that the energy associated with the Renewable Energy Credits meets the provisions of R14-2-1802.~~
- ~~E. Any contract by an Affected Utility for purchase or sale of energy or Renewable Energy Credits to meet the requirements of this Rule shall explicitly describe the transfer of rights concerning both energy and Renewable Energy Credits.~~
- ~~F. Except in the case of Distributed Renewable Energy Resources, Affected Utilities must demonstrate the delivery of energy from Eligible Renewable Energy Resources to their retail consumers such as by providing proof that the necessary transmission rights were reserved and utilized to deliver energy from Eligible Renewable Energy Resources to the Affected Utility's system, if transmission is required, or that the appropriate control area operators scheduled the energy from Eligible Renewable Energy Resources for delivery to the Affected Utility's system.~~

~~R14-2-1804. Annual Renewable Energy Requirement~~

- ~~A. In order to ensure reliable electric service at reasonable rates, each Affected Utility shall be required to satisfy an Annual Renewable Energy Requirement by obtaining Renewable Energy Credits from Eligible Renewable Energy Resources.~~
- ~~B. An Affected Utility's Annual Renewable Energy Requirement shall be calculated each calendar year by applying the following applicable annual percentage to the retail kWh sold by the Affected Utility during that calendar year:~~

2006	1.25%
2007	1.50%

2008	1.75%
2009	2.00%
2010	2.50%
2011	3.00%
2012	3.50%
2013	4.00%
2014	4.50%
2015	5.00%
2016	6.00%
2017	7.00%
2018	8.00%
2019	9.00%
2020	10.00%
2021	11.00%
2022	12.00%
2023	13.00%
2024	14.00%
After 2024	15.00%

— The annual increase in the annual percentage for each Affected Utility will be pro-rated for the first year based on when the Affected Utility's funding mechanism is approved.

~~C. An Affected Utility may use Renewable Energy Credits acquired in any year to meet its Annual Renewable Energy Requirement.~~

~~D. Once a Renewable Energy Credit is used by any Affected Utility to satisfy these requirements, the credit is retired and cannot be subsequently used to satisfy these rules or any other regulatory requirement.~~

~~E. If an Affected Utility trades or sells environmental pollution reduction credits or any other environmental attributes associated with kWh produced by an Eligible Renewable Energy Resource, the Affected Utility may not apply Renewable Energy Credits derived from that same kWh to satisfy the requirements of these rules.~~

~~F. No more than 20 percent of an Affected Utility's Annual Renewable Energy Requirement may be met with Renewable Energy Credits derived pursuant to R14-2-1807.~~

~~G. An Affected Utility may ask the Commission to preapprove agreements to purchase energy or Renewable Energy Credits from Eligible Renewable Energy Resources.~~

~~R14-2-1805. Distributed Renewable Energy Requirement~~

~~A. In order to improve system reliability, each Affected Utility shall be required to satisfy a Distributed Renewable Energy Requirement by obtaining Renewable Energy Credits from Distributed Renewable Energy Resources.~~

~~B. An Affected Utility's Distributed Renewable Energy Requirement shall be calculated each calendar year by applying the following applicable annual percentage to the Affected Utility's Annual Renewable Energy Requirement:~~

2007	5%
2008	10%
2009	15%
2010	20%
2011	25%
After 2011	30%

~~—The annual increase in the annual percentage for each Affected Utility will be pro-rated for the first year based on when the Affected Utility's funding mechanism is approved.~~

~~C. An Affected Utility may use Renewable Energy Credits acquired in any year to meet its Distributed Renewable Energy Requirement. Once a Renewable Energy Credit is used by any Affected Utility to satisfy these requirements, the credit is retired.~~

~~D. An Affected Utility shall meet one-half of its annual Distributed Renewable Energy Requirement from residential applications and the remaining one-half from non-residential, non-utility applications.~~

~~E. An Affected Utility may satisfy no more than 10 percent of its annual Distributed Renewable Energy Requirement from Renewable Energy Credits derived from distributed Renewable Energy Resources that are non-utility owned generators that sell electricity at wholesale to Affected Utilities. This Wholesale Distributed Generation Component shall qualify for the non-residential portion of the Distributed Renewable Energy Requirement.~~

~~R14-2-1806. Extra Credit Multipliers~~

- ~~A. Renewable Energy Credits derived from Eligible Renewable Energy Resources installed after December 31, 2005, shall not be eligible for Extra Credit Multipliers.~~
- ~~B. The extra Renewable Energy Credits resulting from any applicable multiplier shall be added to the Renewable Energy Credits produced by the Eligible Renewable Energy Resource to determine the total Renewable Energy Credits that may be used to meet an Affected Utility's Annual Renewable Energy Requirement.~~
- ~~C. "Early Installation Extra Credit Multiplier." Affected Utilities acquiring Renewable Energy Credits from a Solar Electricity Resource, a Solar Water Heater, a Solar Space Cooling system, a Landfill Gas Generator, a Wind Generator, or a Biomass Electricity Generator that was installed and began operations between January 1, 2001, and December 31, 2003, shall be eligible for an Early Installation Extra Credit Multiplier. Renewable Energy Credits derived from such facilities and acquired by Affected Utilities shall be eligible for five years following the facility's operational start-up. The multiplier shall vary according to the year in which the system began operating:~~
- | | | |
|-----------------|------------------|---------------|
| 2001 | _____ | .3 |
| 2002 | _____ | .2 |
| 2003 | _____ | .1 |
- ~~D. "In-State Power Plant Installation Extra Credit Multiplier." Affected Utilities acquiring Renewable Energy Credits from a Solar Electricity Resource that was installed in Arizona on or before December 31, 2005, shall be eligible for an In-State Power Plant Installation Extra Credit Multiplier. The Renewable Energy Credits derived from such a facility and acquired by an Affected Utility shall be multiplied by .5 annually for the life of the facility. The extra Renewable Energy Credits resulting from the multiplier shall be added to the Renewable Energy Credits produced by the Eligible Renewable Energy Resource to determine the total Renewable Energy Credits that may be used to meet an Affected Utility's Annual Renewable Energy Requirement.~~
- ~~E. "In-State Manufacturing and Installation Content Extra Credit Multiplier." Affected Utilities acquiring Renewable Energy Credits from a Solar Electricity Resource, a Solar Water Heater, a Solar Space Cooling system, a Landfill Gas Generator, a Wind Generator, or a Biomass Electricity Generator that was installed in Arizona on or before December 31, 2005, and that contains components manufactured in Arizona shall be eligible for an In-State Manufacturing and Installation Content Extra Credit Multiplier. The Renewable Energy Credits derived from such a facility and acquired by an~~

~~Affected Utility shall be multiplied annually for the life of the facility by a factor determined by multiplying .5 times the percent of Arizona content of the total installed plant.~~

~~F. "Distributed Solar Electric Generator and Solar Incentive Program Extra Credit Multiplier." Affected Utilities acquiring Renewable Energy Credits from a Distributed Solar Electric Generator that was installed in Arizona on or before December 31, 2005, shall be eligible for a Distributed Solar Electric Generator and Solar Incentive Program Extra Credit Multiplier if the facility meets at least two of the following criteria:~~

- ~~1. The facility is installed on customer premises;~~
- ~~2. The facility is included in any Affected Utility's approved Green Pricing program;~~
- ~~3. The facility is included in any Affected Utility's approved Net Metering or Net Billing program;~~
- ~~4. The facility is included in any Affected Utility's approved solar leasing program; or~~
- ~~5. The facility is owned by and located on an Affected Utility's property or customer property. The Renewable Energy Credits derived from such a facility and acquired by an Affected Utility shall be multiplied by .5 annually for the life of the facility. Meters will be attached to each solar electric generator and read at least once annually to verify solar performance.~~

~~G. All multipliers are additive, except that the maximum combined Extra Credit Multiplier shall not exceed 2.0.~~

R14-2-1807. Manufacturing Partial Credit

~~A. An Affected Utility may acquire Renewable Energy Credits to apply to the non-distributed portion of its Annual Renewable Energy Requirement if it or its affiliate owns or makes a significant investment in any solar electric manufacturing plant located in Arizona or if it or its affiliate provides incentives to a manufacturer of solar electric products to locate a manufacturing facility in Arizona.~~

~~B. The Renewable Energy Credits shall be equal to the nameplate capacity of the solar electric generators produced and sold in a calendar year times 2,190 hours, which approximates a 25 percent capacity factor.~~

~~C. Extra credit multipliers shall not apply to Renewable Energy Credits created by this Section.~~

R14-2-1808. Tariff

~~A. Within 60 days of the effective date of these rules, each Affected Utility shall file with the Commission a Tariff in substantially the same form as the Sample Tariff set forth in these rules that proposes methods for recovering the reasonable and prudent costs of complying with these rules. The specific~~

amounts in the Sample Tariff are for illustrative purposes only and Affected Utilities may submit, with proper support, Tariff filings with alternative surcharge amounts.

B. The Affected Utility's Tariff filing shall provide the following information:

1. Financial information and supporting data sufficient to allow the Commission to determine the Affected Utility's fair value for purposes of evaluating the Affected Utility's proposed Tariff. Information submitted in the format of the Annual Report required under R14-2-212(G)(4) will be the minimum information necessary for filing a Tariff application but Commission Staff may request additional information depending upon the type of Tariff filing that is submitted.
2. A discussion of the suitability of the Sample Tariff set forth in Appendix A for recovering the Affected Utility's reasonable and prudent costs of complying with these rules;
3. Data to support the level of costs that the Affected Utility contends will be incurred in order to comply with these rules;
4. Data to demonstrate that the Affected Utility's proposed Tariff is designed to recover only the costs in excess of the Market Cost of Comparable Conventional Generation; and
5. Any other information that the Commission believes will be relevant to the Commission's consideration of the Tariff filing.

C. The Commission will approve, modify, or deny a Tariff proposed pursuant to subsection (A) within 180 days after the Tariff has been filed. The Commission may suspend this deadline or adopt an alternative procedural schedule for good cause. The Affected Utility's Annual Renewable Energy Requirement, as set forth in R14-2-1804(B), Distributed Renewable Energy Requirement, as set forth in R14-2-1805(B), will be effective upon Commission approval of the Tariff filed pursuant to this Section.

D. If an Affected Utility has an adjustor mechanism for the recovery of costs related to Annual Renewable Energy Requirements, the Affected Utility may file a request to reset its adjustor mechanism in lieu of a Tariff pursuant to subsection (A). The Affected Utility's filing shall provide all the information required by subsection (B), except that it may omit information specifically related to the fair value determination. The Affected Utility's Annual Renewable Energy Requirement, as set forth in R14-2-1804(B), and Distributed Renewable Energy Requirement, as set forth in R14-2-1805(B) will be effective upon Commission approval of the adjustor mechanism rate filed pursuant to this Section.

- ~~E. An Affected Utility may file a rate case pursuant to R14-2-103 in lieu of a Tariff pursuant to subsection (A). The Affected Utility's filing shall provide all information required by subsection (B).~~

~~R14-2-1809. Customer Self-Directed Renewable Energy Option~~

- ~~A. By January 1, 2007, each Affected Utility shall file with Docket Control a Tariff by which an Eligible Customer may apply to an Affected Utility to receive funds to install distributed Renewable Energy Resources. The funds annually received by an Eligible Customer pursuant to this Tariff may not exceed the amount annually paid by the Eligible Customer pursuant to the Affected Utility's Tariff.~~
- ~~B. An Eligible Customer seeking to participate in this program shall submit to the Affected Utility a written application that describes the Renewable Energy Resources that it proposes to install and the projected cost of the project. An Eligible Customer shall provide at least half of the funding necessary to complete the project described in its application.~~
- ~~C. All Renewable Energy Credits derived from the project, including generation and Extra Credit Multipliers, shall be applied to satisfy the Affected Utility's Annual Renewable Energy Requirement.~~

~~R14-2-1810. Uniform Credit Purchase Program~~

- ~~A. The Director of the Utilities Division shall establish a Uniform Credit Purchase Program working group, which will study issues related to implementing Distributed Renewable Energy Resources. The working group shall address the consumer participation process, budgets, incentive levels, eligible technologies, system requirements, installation requirements, and any other issues that are relevant to encouraging the implementation of Distributed Renewable Energy Resources. No later than March 1, 2007, the Director of the Utilities Division shall file a staff report with recommendations for Uniform Credit Purchase Programs.~~
- ~~B. No later than July 1, 2007, each Affected Utility shall file a Uniform Credit Purchase Program for Commission review and approval.~~

~~R14-2-1811. Net Metering and Interconnection Standards~~

~~The Commission Staff shall host a series of workshops addressing the issues of rate design including Net Metering and interconnection standards. Upon completion of this task, and the adoption of rules or standards, if appropriate, each Affected Utility shall file conforming Net Metering tariffs and interconnection standards in Docket Control.~~

~~R14-2-1812. Compliance Reports~~

- ~~A. Beginning April 1, 2007, and every April 1st thereafter, each Affected Utility shall file with Docket Control a report that describes its compliance with the requirements of these rules for the previous calendar year. The Affected Utility shall also transmit to the Director of the Utilities Division an electronic copy of this report that is suitable for posting on the Commission's website.~~
- ~~B. The compliance report shall include the following information:~~
- ~~1. The actual kWh of energy or equivalent obtained from Eligible Renewable Energy Resources;~~
 - ~~2. The kWh of energy or equivalent obtained from Eligible Renewable Energy Resources normalized to reflect a full year's production;~~
 - ~~3. The kW of generation capacity, disaggregated by technology type;~~
 - ~~4. Cost information regarding cents per actual kWh of energy obtained from Eligible Renewable Energy Resources and cents per kW of generation capacity, disaggregated by technology type;~~
 - ~~5. A breakdown of the Renewable Energy Credits used to satisfy both the Annual Renewable Energy Requirement and the Distributed Renewable Energy Requirement and appropriate documentation of the Affected Utility's receipt of those Renewable Energy Credits; and~~
 - ~~6. A description of the Affected Utility's procedures for choosing Eligible Renewable Energy Resources and a certification from an independent auditor that those procedures are fair and unbiased and have been appropriately applied.~~
- ~~C. The Commission may hold a hearing to determine whether an Affected Utility's compliance report satisfies the requirements of these rules.~~

R14-2-1813. Implementation Plans

- ~~A. Beginning July 1, 2007, and every July 1st thereafter, each Affected Utility shall file with Docket Control for Commission review and approval a plan that describes how it intends to comply with these rules for the next calendar year. The Affected Utility shall also transmit an electronic copy of this plan that is suitable for posting on the Commission's website to the Director of the Utilities Division.~~
- ~~B. The implementation plan shall include the following information:~~
- ~~1. A description of the Eligible Renewable Energy Resources, identified by technology, proposed to be added by year for the next five years and a description of the kW and kWh to be obtained from each of those resources;~~
 - ~~2. The estimated cost of each Eligible Renewable Energy Resource proposed to be added, including cost per kWh and total cost per year;~~

3. ~~A description of the method by which each Eligible Renewable Energy Resource is to be obtained, such as self-build, customer installation, or request for proposals;~~
 4. ~~A proposal that evaluates whether the Affected Utility's existing rates allow for the ongoing recovery of the reasonable and prudent costs of complying with these rules, including a Tariff application that meets the requirements of R14-2-1808 and addresses the Sample Tariff set forth in Appendix A if necessary; and~~
 5. ~~A line item budget that allocates specific funding for Distributed Renewable Energy Resources, for the Customer Self-Directed Renewable Energy Option, for power purchase agreements, for utility-owned systems, and for each Eligible Renewable Energy Resource described in the Affected Utility's implementation plan~~
- C. ~~The Commission may hold a hearing to determine whether an Affected Utility's implementation plan satisfies the requirements of these rules.~~

R14-2-1814. Electric Power Cooperatives

- A. ~~Within 60 days of the effective date of these rules, every electric cooperative that is an Affected Utility shall file with Docket Control an appropriate plan for acquiring Renewable Energy Credits from Eligible Renewable Energy Resources for the next calendar year and a Tariff that proposes methods for recovering the reasonable and prudent costs of complying with its proposed plan and addresses the Sample Tariff set forth in Appendix A. The cooperative shall also transmit electronic copies of these filings that are suitable for posting on the Commission's website to the Director of the Utilities Division. Upon Commission approval of this plan, its provisions shall substitute for the requirements of R14-2-1804 and R14-2-1805 for the electric power cooperative proposing the plan.~~
- B. ~~Beginning July 1, 2007, and every July 1st thereafter, every electric cooperative that is an Affected Utility shall file with Docket Control an appropriate plan for acquiring Renewable Energy Credits from Eligible Renewable Energy Resources for the next calendar year. The cooperative shall also transmit an electronic copy of this plan that is suitable for posting on the Commission's website to the Director of the Utilities Division.~~

R14-2-1815. Enforcement and Penalties

- A. ~~If an Affected Utility fails to meet the annual requirements set forth in R14-2-1804 and R14-2-1805, it shall include with its annual compliance report a notice of noncompliance.~~
- B. ~~The notice of noncompliance shall provide the following information:~~

1. ~~A computation of the difference between the Renewable Energy Credits required by R14-2-1804 and R14-2-1805 and the amount actually obtained;~~
 2. ~~A plan describing how the Affected Utility intends to meet the shortfall from the previous calendar year in the current calendar year; and~~
 3. ~~An estimate of the costs of meeting the shortfall.~~
- C.** ~~If the Commission finds after affording an Affected Utility notice and an opportunity to be heard that the Affected Utility has failed to comply with its implementation plan approved by the Commission as set forth in R14-2-1813, the Commission may find that the Affected Utility shall not recover the costs of meeting the shortfall described in R14-2-1815(B) in rates.~~
- D.** ~~Nothing herein is intended to limit the actions the Commission may take or the penalties the Commission may impose pursuant to Arizona Revised Statutes, Chapter 2, Article 9. An Affected Utility is entitled to notice and an opportunity to be heard prior to Commission action or imposition of penalties.~~

~~R14-2-1816. Waiver from the Provisions of this Article~~

~~The Commission may waive compliance with any provision of this Article for good cause. Any Affected Utility may petition the Commission to waive its compliance with any provision of this Article for good cause. A petition filed pursuant to these rules shall have priority over other matters filed at the Commission.~~

Appendix A. Sample Tariff

~~Unless otherwise ordered by the Commission, the renewable energy standard surcharge shall be assessed monthly to every retail electric service. This monthly assessment will be the lesser of \$0.004988 per kWh or:~~

1. ~~For residential customers, \$1.05 per service;~~
2. ~~For non-residential customers, \$39.00 per service;~~
3. ~~For non-residential customers whose metered demand is 3,000 kW or more for three consecutive months, \$117.00 per service;~~
4. ~~For non-metered services, the lesser of the load profile or otherwise estimated kWh required to provide the service in question, or the service's contract kWh shall be used in the calculation of the surcharge.~~

ARTICLE 23. NET METERING

R14-2-2302. Definitions

For purposes of this Article, the following definitions apply unless the context requires otherwise:

1. No change
2. No change.
 - a. No change.
 - b. No change.
 - c. No change.
 - d. No change.
 - i. No change.
 - ii. No change.
 - iii. No change.
 - e. No change.
 - f. No change.
 - g. No change.
 - h. No change.
 - i. No change.
 - j. No change.
 - i. No change.
 - ii. No change.
 - iii. No change.
 - iv. No change.
 - k. No change.
 - i. No change.
 - ii. No change.
 - iii. No change.
 - l. No change.
 - i. No change.
 - ii. No change.
 - iii. No change.

- iv. No change.
- 3. No change.
 - a. No change.
 - b. No change.
 - c. No change.
 - d. No change.
 - e. No change.
 - f. No change.
 - g. No change.
 - h. No change.
 - i. No change.
 - ii. No change.
 - iii. No change.
- 4. No change.
- 5. No change.
- 6. No change.
- 7. No change.
- 8. No change.
- 9. No change.
- 10. No change.
- 11. No change.
- 12. "Net Metering Customer" means any Arizona Customer who:
 - a. Chooses chooses to take electric service in the manner described in the definition of Net Metering in subsection (11), and
 - b. Is a Customer of an Electric Utility under the that has a Net Metering tariff for which the Customer is eligible, as described in R14-2-2307.
- 13. No change.
 - a. No change.
 - b. No change.
 - c. No change.

- d. No change.
- e. No change.
- 14. No change.
 - a. No change.
 - b. No change.
 - c. No change.
 - d. No change.
 - e. No change.
 - f. No change.
- 15. No change.
- 16. No change.

R14-2-2307. Net Metering Tariff

- ~~A.~~ Each Electric Utility shall file, for approval by the Commission, a Net Metering tariff within 120 days from the effective date of these rules, including financial information and supporting data sufficient to allow the Commission to determine the Electric Utility's fair value for the purposes of evaluating any specific proposed charges. The Commission shall issue a decision on these filings within 120 days.
- BA.** If an Electric Utility has a Net Metering tariff, the Net Metering tariff shall specify standard rates for annual purchases of remaining credits from Net Metering Facilities and may specify total utility capacity limits. If total utility capacity limits are included in the tariff, such limits must be fully justified.
- CB.** Electric utilities may include seasonally and time of day differentiated Avoided Cost rates for purchases from Net Metering Customers, to the extent that Avoided Costs vary by season and time of day.

ARTICLE 27. ENERGY RULES

R14-2-2701. Definitions

In this Article, unless otherwise specified:

1. "Action Plan" means the first five years of a Load-Serving Entity's Commission approved Resource Portfolio.

2. "Affiliated" means related through ownership of voting securities, through contract, or otherwise in such a manner that one entity directly or indirectly controls another, is directly or indirectly controlled by another, or is under direct or indirect common control with another entity.
3. "Aggregation" means the operation of two or more Distributed Storage systems under a Tariff established pursuant to R14-2-2713.
4. "Aggregator" means any person other than an Electric Utility that coordinates the operation of two or more Distributed Storage systems under a Tariff pursuant to R14-2-2713.
5. "All-Source Request for Information" or "ASRFI" means a process wherein a Utility solicits information from market participants to address the Utility's resource and Reliability needs.
6. "All-Source Request for Proposals" or "All-Source RFP" means a process wherein the Utility solicits open all-source bids from market participants to address the Utility's resource and Reliability needs.
7. "Approval" means Commission authorization to take an action or implement a plan, but is not a determination that the action to be taken or the implementation of a plan is prudent for the purposes of ratemaking or cost recovery.
8. "Baseline Carbon Emissions Level" means a Utility's annual gross Carbon Emissions directly associated with energy produced from all Generating Units used to serve its kWh sales, expressed in metric tons.
9. "Benchmark" means to calibrate against a known set of values or standards.
10. "Btu" means British thermal unit.
11. "Capacity" means the nameplate rating of a Generating Unit.
12. "Capacity Factor" means the ratio of power produced by a Generating Unit in a given period of time compared to the maximum amount it could generate in the same period of time without interruption.
13. "Carbon Emissions" means carbon emissions resulting from the combustion of fossil fuels, such as coal, petroleum, natural gas, oil, shale, and bitumen, in a Generating Unit, expressed in metric tons.
14. "Clean Energy" means energy produced by a Clean Energy Resource.
15. "Clean Energy Implementation Plan" means an Electric Utility's plan, filed with the Commission, for meeting the goals and standards of this Article.

16. “Clean Energy Resource” means a technology that operates with zero net emissions beyond that of steam including:
- a. A Renewable Energy Resource;
 - b. A Demand-Side Resource; or
 - c. A Nuclear Power Generator that produces energy using nuclear fusion or fission and any reactor type approved by the United States Nuclear Regulatory Commission.
17. “Coincident Peak” means the maximum aggregate sum of system demand within a specific time period.
18. “Commission” means the Arizona Corporation Commission.
19. “Conventional Energy Resource” means a Generating Unit that is not a Clean Energy Resource.
20. “Cooperative” means a Utility that is:
- a. Not operated for profit; and
 - b. Owned and controlled by its members.
21. “Cost-Effective” means “prudently invested,” as defined by R14-2-103(A)(3)(I) and determined in a rate case under A.A.C. R14-2-103.
22. “Customer” means the individual or entity in whose name service is rendered to a single contiguous field, location, or facility.
23. “Customer Class” means a subset of Customers categorized according to similar characteristics, such as:
- a. Amount of energy consumed;
 - b. Amount of demand placed on the energy supply system at the system peak;
 - c. Hourly, daily, or monthly load pattern;
 - d. Primary type of activity engaged in by the Customer, such as residential, commercial, industrial, agricultural, or governmental; or
 - e. A specific geographical location.
24. “Decommission” means to safely and economically remove a Generating Unit from service.
25. “Demand Response” means modification of Customers’ energy consumption patterns, affecting the timing or quantity of Customer demand and usage, achieved through intentional actions taken by a Utility or the Customer.

26. “Demand-Side Management” or “DSM” means the beneficial reduction in the Total Cost of meeting energy service needs by reducing or shifting the time of energy usage.
27. “Demand-Side Resource” means any DSM Measure, DSM Program, Demand Response-based mechanism, Energy Efficiency-based mechanism, or Load Management-based mechanism.
28. “Dispatchable Resource” means an electric power system resource for which power output supplied to the electric grid can be turned on and off or otherwise adjusted on demand.
29. “Distributed Generation” means any type of electrical Generating Unit, including all inverter(s) and protective, safety, and associated equipment necessary to produce electric power, that is located on the Distribution System or any subsystem of the Distribution System, or behind the Customer meter.
30. “Distributed Storage” means an Energy Storage System that is located on the Distribution System or any subsystem of the Distribution System, or behind the Customer meter.
31. “Distribution System” means the infrastructure constructed, maintained, and operated by a Utility to deliver service at the distribution level (69 kV or less) to its Customers.
32. “DSM Measure” means any material, device, technology, educational program, pricing option, practice, or facility alteration designed to result in reduced peak demand, increased Energy Efficiency, or shifting of energy consumption to off-peak periods.
33. “DSM Program” means a Utility program provided as part of a single offering to its Customers and designed to implement:
- a. One or more DSM Measures;
 - b. Demand Response; or
 - c. Energy Efficiency.
34. “Electric Utility” means a public service corporation under Arizona Constitution, Article 15, § 2, providing electric service to the public in Arizona.
35. “Emergency” means an unforeseen and unforeseeable condition that:
- a. Does not arise from a Utility’s failure to engage in Good Utility Practice;
 - b. Is temporary in nature; and
 - c. Threatens Reliability or poses another significant risk to the system.
36. “End Use” means the final application of energy, for activities such as, but not limited to, heating, cooling, running an appliance or motor, an industrial process, or lighting.

37. “Energy Efficiency” means the production or delivery of an equivalent level and quality of End Use electric or Gas service using less energy, or the conservation of energy by a Customer.
38. “Energy Efficiency Report” means a Utility’s plan to implement Demand-Side Resources.
39. “Energy Losses” means the quantity of energy generated or purchased that is not available for sale for End Use, for resale, or for use by a Utility.
40. “Energy Storage System” means equipment capable of storing generated energy and providing a means to discharge that energy at a later time.
41. “Environmental Benefits” means any avoided costs for compliance with regulatory requirements for, and any reduced adverse impacts to the environment from mitigating or eliminating acts such as:
- a. Water use and water contamination;
 - b. Storage and disposal of solid waste;
 - c. Burning fossil fuels; and
 - d. Producing fuels and energy.
42. “Federal Poverty Level” means the U.S. federal poverty guideline for the pertinent household size published annually in the Federal Register by the U.S. Department of Health and Human Services, Office of the Assistant Secretary for Planning and Evaluation, and available at <https://aspe.hhs.gov/poverty-guidelines>.
43. “Gas” means either natural gas or propane.
44. “Gas Utility” means a public service corporation under Arizona Constitution, Article 15, § 2, providing Gas services to the public in Arizona and classified as Class A according to R14-2-103(A)(3)(q).
45. “Generating Unit” means a specific device or set of devices that converts one form of energy, such as mechanical, thermal, or chemical energy, into electricity, excluding energy conversion related to an Energy Storage System.
46. “Good Utility Practice” means any of the practices, methods, and acts engaged in or approved by a significant portion of the energy industry during the relevant time period, or any of the practices, methods, and acts that, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with Reliability, safety, efficiency, and expedition. Good Utility

Practice is not intended to be limited to the optimal practice, method, or act to the exclusion of all others, but rather to include practices, methods, or acts generally accepted in the region at the relevant time.

47. “Heat Rate” means a measure of Generating Unit thermal efficiency expressed in Btu per net kWh and computed by dividing the total Btu content of fuel used for electric generation by the total kWh of energy generated.
48. “Impacted Communities” means cities, towns, counties, communities, tribes, census designated areas, and non-incorporated geographic areas that will be negatively affected, financially or socially, by the closure of Conventional Energy Resources or mining facilities, located in or near their jurisdictions, that have been a source of economic income and employment.
49. “Incremental Benefits” means amounts saved by a Utility through avoiding costs for fuel, purchased power, new Capacity, transmission, distribution, and other cost items necessary to provide electric service or Gas service, as applicable, along with Environmental Benefits.
50. “Independent Monitor” means a Person that is not Affiliated with a Utility and that is selected to oversee the conduct of a competitive procurement process.
51. “Integrated Resource Plan” or “IRP” means a Load-Serving Entity’s plan to meet forecasted annual peak and energy demand through a combination of Supply-Side and Demand-Side Resources in accordance with this Article and applicable laws and regulations that constrain resource selection.
52. “Interruptible Service” means power made available under an agreement that permits curtailment or cessation of delivery by the supplier.
53. “In-Service Date” means the date a resource becomes available for use by a Utility.
54. “Kilowatt-hour” or “kWh” means the electric energy equivalent to the amount of electric energy delivered in one hour when delivery is at a constant rate of one kilowatt.
55. “Limited-Income Customer” means:
- a. A residential Customer with annual household income at or below 250 percent of the Federal Poverty Level; or
 - b. A residential Customer with annual household income at or below a percentage of the Federal Poverty Level higher than 250 percent, as established by an Electric Utility in a Commission-approved Tariff.

60. “Load Forecast” means an estimate or projection of a Utility’s electric loads and the factors that affect those loads, designed to determine, as accurately as possible, the Utility’s future demand for energy and Capacity.
61. “Load Management” means actions taken or sponsored by a Utility to reduce peak demands or improve system operating efficiency, such as:
- a. Utilizing an Energy Storage System;
 - b. Educational campaigns to encourage Customers to shift loads; or
 - c. Direct control by the Utility of Customer demands through Interruptible Service.
62. “Load-Serving Cooperative” means a Load-Serving Entity that is a Cooperative.
63. “Load-Serving Entity” means an Electric Utility that is not a distribution cooperative and that provides energy generation service and operates or owns, in whole or in part, a Generating Unit or Generating Units with aggregate Capacity of at least 50 megawatts.
64. “Maintenance” means the repair of generation, transmission, distribution, administrative, and general facilities; replacement of minor items; and installation of materials to preserve the efficiency and working condition of facilities.
65. “Operate” means to manage or otherwise be responsible for the production of energy by a Generating Unit, whether that Generating Unit is owned by the operator, in whole or in part, or by another Person.
66. “Person” means an individual, partnership, corporation, limited liability company, governmental agency, or other organization operating as a single entity.
67. “Production Cost” means the variable operating costs and Maintenance costs of producing energy through generation plus the cost of purchases of power sufficient to meet a Utility’s demand.
68. “Reliability” means a measure of the ability of a Load-Serving Entity’s generation, transmission, or Distribution System to provide power without failures, reflecting the portion of time that a system is unable to meet demand or the kilowatt-hours of demand that could not be supplied.
69. “Renewable Energy” means energy produced by a Renewable Energy Resource.
70. “Renewable Energy Resource” means a source of energy conforming to R14-2-2703.
71. “Request for Proposals” or “RFP” means to solicit proposals through a bidding process.
72. “Reserve Requirements” means the Capacity that a Load-Serving Entity must maintain in excess of its peak load to provide for scheduled Maintenance, forced outages, unforeseen loads,

Emergencies, system operating requirements, and any agreement to provide backup Capacity to another Load-Serving Entity.

73. “Resource Planning Advisory Council” or “RPAC” means the group of interested Persons formed by a Load-Serving Entity as required by R14-2-2705(A)(2), unless the Load-Serving Entity is a Load-Serving Cooperative, in which case “Resource Planning Advisory Council” or “RPAC” means the Load-Serving Cooperative’s Board of Directors.

74. “Resource Portfolio” means the combination of selected Supply-Side Resources and Demand-Side Resources to be used over a forecasted 15-year period to meet electric demand in a safe, reliable, and efficient manner, taking into consideration the factors set forth in R14-2-2708(C) and (D).

75. “Spinning Reserve” means the Capacity a Load-Serving Entity must maintain connected to the system and ready to deliver power promptly in the event of an unexpected loss of generation source, expressed as a percentage of peak load, a percentage of the production Capacity of the largest Generating Unit, or in fixed megawatts.

76. “Staff” means individuals working for the Commission, whether as employees or through contract.

77. “Supply-Side Resource” means a resource that provides a supply of energy, Capacity, or grid services to a Utility.

78. “Tariff” means a document setting forth requirements related to an Electric Utility’s service, such as rates and charges, other terms and conditions of service, available program offerings, or any combination of these that have been approved by the Commission.

79. “Total Cost” means all capital, operating, Maintenance, fuel, and Decommissioning costs, plus the costs associated with mitigating any adverse environmental effects in the provision or conservation of electric energy.

80. “Utility” means an Electric Utility or Gas Utility.

R14-2-2702. Applicability

This Article applies to each Utility that has more than half of its Customers located in Arizona.

R14-2-2703. Renewable Energy Resources

A. The following are Renewable Energy Resources:

1. A Biogas Electric Generator, which produces energy using as fuel Gas derived from any of the following and produces zero net life-cycle Carbon Emissions:
 - a. Plant-derived organic matter;
 - b. Animal waste;
 - c. A wastewater treatment facility using anaerobic digestion;
 - d. An oxidation process; and
 - e. Another gasification process that produces energy;
2. A Biopower Electric Generator, which uses as fuel any of the following raw or processed plant-derived organic matter available on a renewable basis and that has zero net life-cycle Carbon Emissions:
 - a. Agricultural food and feed crops;
 - b. Agricultural crop wastes and residues;
 - c. Wood wastes and residues, including landscape waste, right-of-way tree trimmings, or small diameter forest thinnings that are 12" in diameter or less;
 - d. Dead and downed forest products;
 - e. Aquatic plants;
 - f. Animal wastes;
 - g. Vegetative waste materials;
 - h. Non-hazardous plant matter waste material that is segregated from other waste;
 - i. Forest-related resources, such as harvesting and mill residue, pre-commercial thinnings, slash, and brush;
 - j. Miscellaneous waste, such as waste pellets, crates, and dunnage; and
 - k. Recycled paper fibers that are no longer suitable for recycled paper production;
3. A Geothermal Generator, which uses heat from within the earth's surface to produce energy;
4. A Hydropower Facility, which generates energy using:
 - a. A low-head, micro hydro run-of-the-river system that does not require any new damming of the flow of the stream;

- b. An existing dam without requiring a new dam, diversion structures, or a change in water flow that will adversely impact fish, wildlife, or water quality;
 - c. A new dam without adversely impacting fish, wildlife, or water quality; or
 - d. Canals or other irrigation systems;
- 5. A Landfill Gas Generator, which produces energy using pipeline-quality methane gas obtained from landfills;
- 6. Solar Energy Resources, which use sunlight or solar heat to produce energy with either photovoltaic devices or solar thermal electric devices; and
- 7. A Wind Generator, which produces energy using a mechanical device that is driven by wind.
- B. Upon application, or upon its own initiative, the Commission may determine, by order, that an additional technology is a Renewable Energy Resource if the technology uses naturally replenishing materials or processes to produce energy and has Environmental Benefits.

R14-2-2704. Clean Energy Implementation Plan

- A. An Electric Utility shall, by April 1 every third year, beginning April 1, 2023, file with the Commission, for Approval, a Clean Energy Implementation Plan describing how the Electric Utility intends to comply with this Article.
- B. Through its Clean Energy Implementation Plan, an Electric Utility shall achieve the following:
 - 1. By January 1, 2030, a Load-Serving Entity's resource portfolio shall include a Demand-Side Resource Capacity equal to at least 35% of the Load-Serving Entity's 2020 peak demand;
 - 2. For each three-year planning period, Utilities shall propose DSM programs that include traditional Energy Efficiency, Demand Response, and other programs that focus on reducing overall energy usage, peak demand management, and load shifting, in accordance with the following:
 - a. Utility performance shall be based on both megawatt-hour energy savings and megawatt Capacity reductions;
 - b. Utilities must average at least 1.3% annual Energy Efficiency measured by megawatt-hour savings over the three-year planning period, without carrying over energy savings credits from programs implemented before January 1, 2021;
 - c. The portfolio of DSM measures must include rate-enabled, load-shifting technologies, including Demand Response, that provide Customer bill savings and clean energy benefits; and

- d. Utilities shall propose programs and expected peak load reductions in their filings for review and Approval by the Commission;
3. By December 31, 2035, the installation of Energy Storage Systems with an aggregate Capacity equal to at least 5% of the Electric Utility's 2020 peak demand, of which at least 40% shall be derived from Customer-owned or Customer-leased Distributed Storage; and
4. A 100% reduction in Carbon Emissions below its Baseline Carbon Emissions Level with the following corresponding interim standards:

<u>Year</u>	<u>Reduction from Baseline Carbon Emissions Level</u>
<u>January 1, 2032</u>	<u>At least 50%</u>
<u>January 1, 2040</u>	<u>At least 75%</u>
<u>January 1, 2050</u>	<u>100%</u>

C. An Electric Utility shall include in its Clean Energy Implementation Plan, at minimum, the following information:

1. An Executive Summary of its Clean Energy Implementation Plan;
2. A summary of actions to be taken for the next three calendar years to meet the requirements of subsection (B), including:
 - a. Projected monthly Coincident Peak demand and energy consumption, disaggregated by Customer Class;
 - b. A schedule of each Renewable Energy Resource and Clean Energy Resource to be added;
 - c. For each Renewable Energy Resource and Clean Energy Resource:
 - i. The technology type;
 - ii. A description of the kW and kWh to be obtained;
 - iii. Whether the resource is used to meet subsection B(3);
 - iv. The estimated Total Cost per kWh and per year; and
 - v. A description of the method by which each resource is to be obtained, such as self-build, Customer installation, or RFP; and
 - d. A schedule for the retirement of each Generating Unit that produces Carbon Emissions;
3. For the previous three calendar years:
 - a. Monthly Coincident Peak demand and energy consumption, disaggregated by Customer Class;

- b. The monthly kWh sales from Clean Energy Resources, disaggregated by Clean Energy Resource and Customer Class;
 - c. Total kWh obtained from Clean Energy Resources and Renewable Energy Resources, disaggregated by technology type;
 - d. Total kWh obtained to meet subsection (B)(3);
 - e. Total kW of generation Capacity, disaggregated by technology type;
 - f. Total Costs per kwh to serve retail load and cents per kW of generating Capacity, disaggregated by technology type;
 - g. A description of the Electric Utility's competitive procedures for choosing Clean Energy Resources, including justification concerning how those competitive procedures are fair and unbiased and how they have been appropriately applied;
 - h. Total Carbon Emissions, disaggregated; and
 - i. Total Carbon Emission reductions from Baseline Carbon Emissions Level;
- 4. A summary of each program developed by the Electric Utility to encourage Customer adoption of an Energy Storage System that is paired with Distributed Generation installed on the Customer's premise; and
 - 5. An Energy Efficiency Report, in accordance with R14-2-2711, with a description of each Demand-Side Resource used toward the Electric Utility's Clean Energy Implementation Plan or, if no Demand-Side Resource was used, an explanation why no Demand-Side Resource was used.
- D.** In its Clean Energy Implementation Plan, an Electric Utility shall demonstrate its ability to deliver energy from Clean Energy Resources and Renewable Energy Resources to its Customers by providing documentation of:
- 1. The transmission rights to deliver energy from Clean Energy Resources or Renewable Energy Resources to the Electric Utility's system, if applicable;
 - 2. A control area operator scheduling the energy from Clean Energy Resources or Renewable Energy Resources for delivery to the Electric Utility's system, if applicable; or
 - 3. For an Energy Storage System used to meet subsection (B)(3), the source of the energy that is being used to charge the Energy Storage System.

- E. An Electric Utility's Baseline Carbon Emissions Level shall be the average annual metric tons of Carbon Emissions from all Generating Units used to meet the Electric Utility's retail kWh sales, during the consecutive three-calendar-year period of 2016 to 2018.
- F. Within 210 days after the effective date of this Article, an Electric Utility shall provide to the Commission for review its proposed Baseline Carbon Emissions Level and verification from an independent third-party that the Carbon Emissions identified in its Baseline Carbon Emissions Level are accurate, along with any supplemental information and work papers used to make that determination.
- G. An interested Person shall file with the Commission, within 60 days after an Electric Utility provides to the Commission its Baseline Carbon Emissions Level under subsection (F), any objection to the proposed Baseline Carbon Emissions Level.
- H. After receiving an objection, or on its own initiative, the Commission may engage in a process to determine and approve the Baseline Carbon Emissions Level for an Electric Utility.
- I. If no interested Person objects to the Electric Utility's Baseline Carbon Emissions Level, and the Commission does not establish a process to determine and approve the Baseline Carbon Emissions Level for the Electric Utility under subsection (H), the Electric Utility's Baseline Carbon Emissions Level shall become effective 120 days after it is filed with the Commission as required by subsection (G).
- J. An Electric Utility shall consult with Staff regarding the identity of organizations or consultants that could serve as an independent third-party to verify that an Electric Utility's identified Carbon Emissions are accurate.
- K. Staff shall issue a notice identifying each organization or consultant that could serve as an independent third-party to verify an Electric Utility's identified Carbon Emissions.
- L. Within 10 days after retaining an independent third-party to verify its identified Carbon Emissions, an Electric Utility shall file with the Commission a written notice of such retention.
- M. If an Electric Utility's Clean Energy Implementation Plan does not contain sufficient information to allow Staff to analyze the submission fully for compliance with this Article, Staff shall request additional information from the Electric Utility, which may include the data used in the Electric Utility's analyses, and shall request an order from the Commission that the Electric utility shall fund

an independent consultant to be selected by Staff to assist in Staff's analysis of the Clean Energy Implementation Plan.

N. Staff shall, within 120 days after the Clean Energy Implementation Plan is filed, file a memorandum and proposed order for the Commission's consideration.

O. Within 60 days after the memorandum and proposed order is filed by Staff, the Commission shall consider the proposed order at an open meeting.

R14-2-2705. Development of Proposed Load Forecast and Needs Assessment

A. To develop a Load Forecast and Needs Assessment, a Load-Serving Entity shall:

1. Prepare at least five alternative 15-year Load Forecasts and Needs Assessments, which shall include:
 - a. A Load Forecast and Needs Assessment showing the load growth expected by the Load-Serving Entity based on available data,
 - b. A Load Forecast and Needs Assessment showing the load growth expected by the RPAC based on available data,
 - c. A Load Forecast and Needs Assessment showing no load growth,
 - d. A Load Forecast and Needs Assessment showing lower than expected load growth, and
 - e. A Load Forecast and Needs Assessment showing higher than expected load growth;
2. To facilitate stakeholder participation throughout the resource planning process, form an RPAC, in compliance with subsection (B);
3. Supply the RPAC all data and information used by the Load-Serving Entity in the development of its Load Forecast and Needs Assessment, which shall include, but not be limited to, modeling assumptions, outputs, and methodologies used;
4. Respond to data requests from RPAC members pursuant to the requirements of A.A.C. R14-3-101 and specific Commission orders regarding discovery;
5. Meet with the RPAC in a workshop environment to obtain input on the validity of each alternative Load Forecast and Needs Assessment and recommendations for the Load Forecast and Needs Assessment to be proposed to the Commission; and
6. After good faith consideration of the input and recommendations received from the RPAC, refine the Load Forecast and Needs Assessment.

B. In forming an RPAC, a Load-Serving Entity shall ensure that the RPAC includes a diverse range of interested Persons, including but not limited to:

1. Representatives from public interest groups,
2. A consumer advocate or advocacy group,
3. An advocate or advocacy group representing Limited-Income Customers,
4. A member of the public at large,
5. A representative of each Customer Class served by the Load-Serving Entity,
6. An environmental advocate, and
7. A representative from each of the following industries:
 - a. Renewable Energy,
 - b. Energy Efficiency or DSM,
 - c. Energy storage, and
 - d. Electric vehicles.

R14-2-2706. Load Forecast and Needs Assessment Approval

A. A Load-Serving Entity shall, by August 1 of every third year, beginning with August 1, 2021, file with the Commission, in a new docket, a request for Approval of Load Forecast and Needs Assessment, which shall include the refined Load Forecast and Needs Assessment created under R14-2-2705 and all of the data and information used to develop the refined Load Forecast and Needs Assessment, including but not limited to the modeling assumptions, outputs, and methodologies used.

B. Staff shall, within 90 days after the request for Approval is filed:

1. Analyze the Load Forecast and Needs Assessment,
2. Schedule at least one Commission workshop at which input regarding the Load Forecast and Needs Assessment can be provided by interested Persons,
3. Provide the public notice of each Commission workshop at least through a filing in the docket and posting on the Commission's website, and
4. Accept input regarding the Load Forecast and Needs Assessment at least through one Commission workshop and written comments.

C. Within 30 days after the final Commission workshop, Staff shall file a memorandum and proposed order recommending a Load Forecast and Needs Assessment to be used for the Load-Serving Entity.

- D. Within 30 days after the memorandum and proposed order is filed, the Commission shall consider the proposed order at an open meeting.
- E. The Commission shall issue a decision approving a Load Forecast and Needs Assessment to be used in the Load-Serving Entity's ASRFI. In this decision, the Commission may state the minimum amount of load that shall be served through Cost-Effective Energy Efficiency and may state the minimum amount of load that shall be served through Clean Energy, Renewable Energy, Distributed Generation, Distributed Storage, and Cost-Effective Demand-Side Resources.

R14-2-2707. All Source Request for Information

- A. After its Load Forecast and Needs Assessment are approved by the Commission, a Load-Serving Entity shall develop an ASRFI, which shall be:
1. Designed to obtain bids from numerous and diverse vendors of Supply-Side Resources and Demand-Side Resources that may be able to meet all or any part of the Load-Serving Entity's Load Forecast and Needs Assessment approved under R14-2-2706;
 2. Designed to enable Demand-Side Resources and Supply-Side Resources to compete on equal footing and not limited to Dispatchable Resources;
 3. Designed to meet the needs and system requirements developed in the approved Load Forecast and Needs Assessment as safely and reliably as possible, while prioritizing the factors set forth under R14-2-2708(C);
 4. Technology neutral;
 5. Fuel neutral;
 6. Location neutral, except for compliance with R14-2-2708(C);
 7. Size neutral;
 8. Vendor neutral; and
 9. Designed to provide notice to bidders that RPAC members will be able to review the bids resulting from the ASRFI.
- B. After developing draft language for its ASRFI, a Load-Serving Entity shall:
1. Provide copies of the draft ASRFI language to the RPAC members;
 2. Meet with the RPAC in a workshop environment to obtain input on the draft ASRFI language and recommendations for any changes; and

3. After good faith consideration of the input and recommendations received from the RPAC, refine the ASRFI language.
- C. A Load-Serving Entity shall file the refined ASRFI language, created under subsection (B)(3), with the Commission.
- D. Within 30 days after a Load-Serving Entity files its refined ASRFI language, Staff shall file a notice that the refined ASRFI language is either in compliance with subsection (A) or is deficient. If the refined ASRFI language does not comply with subsection (A), Staff and the Load-Serving Entity shall attempt in good faith to reach agreement on refined ASRFI language that complies with subsection (A).
- E. If Staff and the Load-Serving Entity are unable to reach agreement on the Load-Serving Entity's refined ASRFI language, the following shall occur:
 1. Staff shall, within 60 days after receiving the Load-Serving Entity's refined ASRFI language, file a Memorandum and Proposed Order recommending ASRFI language that complies with subsection (A) to be used by the Load-Serving Entity;
 2. Within 30 days after the Memorandum and Proposed Order is filed, the Commission shall consider the Proposed Order at an Open Meeting; and
 3. The Commission shall issue a decision approving ASRFI language that complies with subsection (A) to be used by the Load-Serving Entity.
- F. If Staff determines that the ASRFI language is in compliance with subsection (A), or if Staff and the Load-Serving Entity are able to reach agreement on the ASRFI language's compliance with subsection (A), but an RPAC member disagrees with the ASRFI language, the RPAC member may, within five days after Staff files its notice of compliance, file a request for review of the ASRFI language by the Commission. In a request for review of the ASRFI language, the RPAC member shall propose alternative ASRFI language that complies with subsection (A).
- G. If the Commission chooses to review ASRFI language pursuant to a request made under subsection (F), the Commission, within 45 days of the RPAC member's filed request for review, shall:
 1. Consider the Load-Serving Entity's ASRFI language and the proposed alternative ASRFI language at an open meeting, and
 2. Issue a decision approving ASRFI language that complies with subsection (A) to be used by the Load-Serving Entity.

R14-2-2708. ASRFI Process; Integrated Resource Plan Approval

- A.** A Load-Serving Entity shall conduct its ASRFI process using the ASRFI language determined to be in compliance with this Article, or as otherwise ordered by the Commission.
- B.** After the ASRFI bid submission deadline has passed, a Load-Serving Entity shall:
1. Review and consider each bid submitted to satisfy all or any part of the Load-Serving Entity's approved Load Forecast and Needs Assessment, taking into account the provisions of subsection (C);
 2. Formulate a draft Integrated Resource Plan that includes a preferred Resource Portfolio and at least two alternative Resource Portfolios, describing all of the energy resources the Load-Serving Entity believes should be used to meet its 15-year Load Forecast and Needs Assessment, and provides any supplemental data and analyses used in justifying its choices; and
 3. After developing a draft Integrated Resource Plan:
 - a. Provide copies of the draft Integrated Resource Plan to the RPAC members;
 - b. Meet with the RPAC in a workshop environment to obtain input on the draft Integrated Resource Plan and recommendations for any changes; and
 - c. After good faith consideration of the input and recommendations received from the RPAC, refine the Integrated Resource Plan.
- C.** When determining the resources to include in its refined Integrated Resource Plan, a Load-Serving Entity shall prioritize the following:
1. Meeting the requirements of the Clean Energy Implementation Plan created under R14-2-2704;
 2. Minimizing the cost of providing electric energy service to Customers through a combination of Supply-Side Resources and Demand-Side Resources that will result in the lowest overall, lifetime costs to meet Customers' energy needs safely and reliably; and
 3. Giving preferential treatment to Renewable and Clean Energy Resources sited or deployed in Impacted Communities.
- D.** In addition to the factors created in subsection (C), when determining the resources to include in its refined Integrated Resource Plan to provide the lowest overall, lifetime costs to meet its Load Forecast and Needs Assessment safely and reliably, meet the Clean Energy Implementation Plan set forth under R14-2-2704, and minimize the cost of providing electric energy service to Customers, a Load-Serving

Entity may also consider factors that have a reasonable nexus to ratemaking, such as, but not limited to, the following:

1. Improving system Reliability and resiliency;
2. Providing adequate service to customers;
3. Diversifying fuel supplies and technologies;
4. Stabilizing the electric power supply;
5. Decreasing peak demand;
6. Decreasing demand during hours when the price per kWh for Customers is highest;
7. Providing opportunities for additional savings;
8. Improving the economic utilization of new and existing resources;
9. Reducing the need to build new transmission to support the new resources;
10. Reducing the risk of losing transmission to natural disaster or other unanticipated events;
11. Improving the efficiency of the transmission grid;
12. Reducing the costs associated with complying with local, state, and federal regulations;
13. Improving grid security and the personal health and safety of patrons and employees;
14. Meeting the demand for electricity in the least costly way to society;
15. Providing Environmental Benefits or reducing environmental impacts, such as, but not limited to, benefits and impacts regarding air and water pollution, emissions, ground water and surface water pollution and consumption, recyclability of resources and of resources' respective parts and components, and the carbon footprint and environmental impacts and benefits of each resource's full lifecycle and supply chain and of the full lifecycles and supply chains of each of the resource's respective parts and components;
16. Providing economic benefits or reducing negative economic impacts, such as, but not limited to, benefits and impacts related to economic development, job creation or retention, customer growth or retention, location or jurisdiction of manufacture, location or jurisdiction of the source of the resource's respective parts and components, and the development of new technologies, innovations, or pilot programs;
17. Minimizing the occurrence or appearance of anti-competitive behavior and self-dealing between Electric Utilities and Affiliated interests;
18. Benefitting Impacted Communities; and

19. Serving the Public Interest.

- E.** A Load-Serving Entity shall, by August 1 of every third year, beginning with August 1, 2023, file with the Commission, in the docket created for the Load Forecast and Needs Assessment, the refined Integrated Resource Plan language created under subsection (B)(3). The Load-Serving Entity shall include in its filing any additional data or analyses that it believes Staff or the Commission will find useful in considering the Integrated Resource Plan and shall provide to Staff and the Commission any additional information requested after the initial filing.
- F.** Staff shall, within 90 days after the Integrated Resource Plan is filed:
1. Analyze the Integrated Resource Plan, prioritizing the factors set forth in subsection (C);
 2. Schedule at least one Commission workshop at which input regarding the Integrated Resource Plan can be provided by interested Persons;
 3. Provide the public notice of each Commission workshop at least through a filing in the docket and posting on the Commission's website; and
 4. Accept input regarding the Integrated Resource Plan through at least through one Commission workshop and written comments.
- G.** Within 30 days after the final Commission workshop, Staff shall file a memorandum and proposed order recommending a Resource Portfolio for use by the Load-Serving Entity, which shall either:
1. Recommend a Resource Portfolio that prioritizes the factors set forth in subsection (C); or
 2. If the memorandum and proposed order does not recommend a Resource Portfolio that prioritizes the factors set forth in subsection (C), then:
 - a. Explain why the Memorandum and proposed order recommends a Resource Portfolio that does not prioritize the factors set forth in subsection (C), and
 - b. Identify the factors set forth in subsection (D) that the recommended Resource Portfolio prioritizes instead.
- H.** Within 30 days after the Memorandum and proposed order is filed, the Commission shall consider the proposed order at an open meeting.
- I.** The Commission shall issue a decision approving a Resource Portfolio to be implemented by the Load-Serving Entity.

J. Staff may hire one or more consultants, as necessary, to meet the obligation and timelines of R14-2-2704 through R14-2-2708. The Commission may order the Load-Serving Entity to fund an independent consultant to be selected by Staff to assist in Staff's analysis.

R14-2-2709. Implementation of Action Plan

- A. A Load-Serving Entity shall implement the Action Plan approved for it by the Commission and, except as permitted by this Article, utilize an All-Source RFP process to procure resources per the Commission approved Action Plan.
- B. A Load-Serving Entity shall report the results of its All-Source RFP process in an annual Procurement Activity Report.
- C. A Load-Serving Entity shall include any request to update its Action Plan in its annual Procurement Activity Report.
- D. Within 60 days after receiving a Load-Serving Entity's request to update its Action Plan, the Commission shall issue:
1. An order of Approval of the Load-Serving Entity's request to update its Action Plan; or
 2. An order denying the Load-Serving Entity's request to update its Action Plan.
- E. A Load-Serving Entity that determines, during the implementation period for its most recently approved Action Plan, that the Load-Serving Entity will be unable to implement any portion of the Action Plan due to circumstances beyond the Load-Serving Entity's control, shall file with the Commission, in a new docket, notification of the circumstances preventing implementation along with any appropriate request for extension or waiver under R14-2-2716.

R14-2-2710. Electric Utility Annual Reporting Requirements

- A. An Electric Utility shall, by January 31 of each year, beginning on January 31, 2022, file with the Commission a report that describes its compliance with subsection R14-2-2704(B) in the previous calendar year, which shall include the following information:
1. The actual kWh of energy produced within its service territory or obtained from Clean Energy Resources and Renewable Energy Resources;
 2. The kW of generation Capacity, disaggregated by technology type;
 3. Cost information regarding cents per actual kWh of energy obtained from Clean Energy Resources and Renewable Energy Resources and cents per kW of generation Capacity, disaggregated by technology type;

4. The total Capacity of Demand-Side Resources with comparison to the Load-Serving Entity's 2020 peak demand;
5. The total Carbon Emissions disaggregated by all Generating Units used to serve its kWh sales, expressed in metric tons;
6. The aggregate Capacity of installed Energy Storage Systems; and
7. The aggregate Capacity of Customer-owned or Customer-leased Distributed Storage.

B. A Load-Serving Entity shall, by January 31 of each year, beginning on January 31, 2022, file with the Commission a report that shall include the following items of Demand-Side Resource data, including for each item for which no record is maintained the Load-Serving Entity's best estimate and a full description of how the estimate was made:

1. Average hourly demand for the previous calendar year, disaggregated by:
 - a. Sales to end users;
 - b. Sales for resale;
 - c. Energy Losses; and
 - d. Other disposition of energy, such as energy furnished without charge and energy used by the Load-Serving Entity;
2. Coincident Peak demand and energy consumption by month for the previous calendar year, disaggregated by Customer Class;
3. Average number of annual Customers by Customer Class for each of the previous calendar year; and
4. Reduction in load (kilowatt and kilowatt-hours) in the previous calendar year due to existing DSM Measures, by type of DSM Measure.

C. A Load-Serving Entity shall, by January 31 of each year, beginning January 31, 2022, file with the Commission a report that shall include the following items of Supply-Side Resource data, including for each item for which no record is maintained the Load-Serving Entity's best estimate and a full description of how the estimate was made:

1. For each Generating Unit and purchased power contract for the previous calendar year:
 - a. In-Service Date and the expected time period or contract period during which the Supply-Side Resource will be available for use by the Load-Serving Entity;
 - b. The type of Generating Unit or contract;

- c. The Load-Serving Entity's share of the Generating Unit's Capacity, or of Capacity under the contract, in megawatts;
 - d. The maximum Generating Unit or contract Capacity, by hour, day, or month, if such Capacity varies during the year;
 - e. The annual Capacity Factor;
 - f. The average Heat Rate of the Generating Unit and, if available, its Heat Rates at specified output levels;
 - g. The average fuel cost for the Generating Unit, in dollars per million Btu for each type of fuel;
 - h. Other variable operating and Maintenance costs for the Generating Unit, in dollars per megawatt hour;
 - i. The purchased power energy costs for each contract exceeding three calendar years, in dollars per megawatt-hour;
 - j. The fixed operating and Maintenance costs of the Generating Unit, in dollars per megawatt;
 - k. The demand charges for purchased power;
 - l. The fuel type for each Generating Unit;
 - m. The minimum Capacity at which the Generating Unit would be run, or purchased power is needed, if applicable;
 - n. Whether, under standard operating procedures, the Generating Unit must be run if it is available to run;
 - o. The description of each Generating Unit as base load, intermediate, or peaking;
 - p. The environmental impacts, including air emission quantities (in metric tons or pounds) and rates (in quantities per megawatt-hour) for carbon dioxide, nitrogen oxides, sulfur dioxide, mercury, particulates, and other air emissions subject to current or expected future environmental regulation;
 - q. The water consumption quantity and rate; and
 - r. The amount of coal ash (by ton) produced per Generating Unit;
2. For each Supply-Side Resource in the previous calendar year:
- a. A description of Generating Unit commitment procedures;
 - b. Production Costs;
 - c. Reserve Requirements;

- d. Spinning Reserve;
- e. Reliability of the generating, transmission, and Distribution Systems;
- f. Purchase and sale prices, averaged by month, for the aggregate of all purchases and sales-related contracts with a duration of less than three calendar years; and
- g. Energy Losses;

- 3. The total Capacity of Distributed Generation in the Load-Serving Entity's service area for the previous calendar year; and
- 4. An explanation of any resource procurement processes undertaken by the Load-Serving Entity during the previous calendar year that did not include use of an RFP, including the exception under which the process was used.

D. A Load-Serving Entity shall file, by May 1 of each year, beginning May 1, 2024, an annual Procurement Activity Report that specifies, at a minimum, the following:

- 1. The procurement activities the Load-Serving Entity plans to undertake in the following calendar year to effectuate its Commission-approved Action Plan,
- 2. All associated cost information related to the Load-Serving Entity's planned procurement activities, and
- 3. A timeline describing each planned procurement activity.

R14-2-2711. Electric Energy Efficiency

A. An Electric Utility shall include in its Energy Efficiency Report the following information regarding the Demand-Side Resources used by the Electric Utility:

- 1. A list of the Electric Utility's current Demand-Side Resources, disaggregated by Customer Class;
- 2. For each Demand-Side Resource:
 - a. A brief description;
 - b. The purpose, objectives, and savings targets;
 - c. For the previous three calendar years, disaggregated by year, if applicable:
 - i. The level of Customer participation;
 - ii. The Total Cost incurred, disaggregated by type of cost, such as administrative costs, rebates, and monitoring costs;
 - iii. A description and the results of evaluation and monitoring activities;
 - iv. Savings realized, in an appropriate metric (kW, kWh, therms, or Btu);

- v. The Environmental Benefits realized, including reduced emissions and water savings;
 - vi. Incremental Benefits and net benefits, in dollars;
 - vii. Performance-incentive calculations; and
 - viii. Problems encountered and proposed solutions;
 - d. A description of any modifications proposed for the next three calendar years; and
 - e. Whether the Electric Utility proposes to terminate the Demand-Side Resource and, if so, the proposed date of termination; and
 - 3. A description of the findings from any research projects ordered by the Commission and completed during the previous three calendar years.
- B. An Electric Utility shall include in its Energy Efficiency Report any new Demand-Side Resources proposed to be implemented by the Electric Utility in the next three calendar years, and for each Demand-Side Resource shall include:**
 - 1. A brief description; and
 - 2. The purpose, objectives, and savings targets.
- C. An Electric Utility shall design each Demand-Side Resource:**
 - 1. To be Cost-Effective; and
 - 2. To accomplish at least one of the following:
 - a. Provide Energy Efficiency,
 - b. Manage energy consumption,
 - c. Reduce peak demand, or
 - d. Alter Customer energy consumption behavior.
- D. An Electric Utility shall consider the following when planning and implementing a Demand-Side Resource:**
 - 1. Whether the Demand-Side Resource will achieve Cost-Effective energy savings and peak demand reductions;
 - 2. Whether the Demand-Side Resource will advance market transformation and achieve sustainable savings, reducing the need for future market interventions;
 - 3. Whether the Electric Utility can ensure a level of funding adequate to sustain the Demand-Side Resource and allow the Demand-Side Resource to achieve its targeted goal; and

4. Whether the Electric Utility can allocate a portion of the Demand-Side Resource specifically to Limited-Income Customers.
- E.** An Electric Utility shall provide an opportunity for all Electric Utility Customer Classes to participate in the Demand-Side Resources, with a portion specifically allocated for Limited-Income Customers.
- F.** An Electric Utility shall monitor and evaluate each Demand-Side Resource to determine whether it is Cost-Effective and otherwise meets expectations and shall report any unintended consequences to the Commission in its Energy Efficiency Report.
- G.** An Electric Utility may recover the costs that it incurs in planning, designing, implementing, and evaluating a Demand-Side Resource if the Commission approves such cost recovery for the Electric Utility in a rate case.
- H.** Staff may request an Electric Utility to perform analyses of a specified Demand-Side Resource to comply with this Article.

R14-2-2712. Gas Energy Efficiency

- A.** A Gas Utility shall, by April 1 every third year, beginning April 1, 2023, file with the Commission, for Approval, an Energy Efficiency Report describing each Demand-Side Resource designed to reduce Coincident Peak and energy demand, disaggregated by Customer Class, or, if no Demand-Side Resource was used or is proposed to be implemented, an explanation why no Demand-Side Resource was used or is proposed to be implemented.
- B.** For each Demand-Side Resource, a Gas Utility shall specify if the Demand-Side Resource is:
1. Proposed to be implemented by the Gas Utility during the next three calendar years;
 2. Currently implemented by the Gas Utility; or
 3. Proposed to be modified or discontinued by the Gas Utility.
- C.** A Gas Utility shall include in its Energy Efficiency Report the following information regarding the Demand-Side Resources used by the Gas Utility:
1. A list of the Gas Utility's current Demand-Side Resources, disaggregated by Customer Class;
 2. For each Demand-Side Resource:
 - a. A brief description;
 - b. The purpose, objectives, and savings targets;
 - c. For the previous three calendar years, disaggregated by year, if applicable:
 - i The level of Customer participation;

- ii. The Total Cost incurred, disaggregated by type of cost, such as administrative costs, rebates, and monitoring costs;
- iii. A description and the results of evaluation and monitoring activities;
- iv. Savings realized, in an appropriate metric (kW, kWh, therms, or Btu);
- v. The Environmental Benefits realized, including reduced emissions and water savings;
- vi. Incremental Benefits and net benefits, in dollars;
- vii. Performance-incentive calculations; and
- viii. Problems encountered and proposed solutions;
- d. A description of any modifications proposed for the next three calendar years; and
- e. If the Gas Utility proposes to terminate the Demand-Side Resource, the proposed date of termination; and
- 3. A description of the findings from any research projects ordered by the Commission and completed during the previous three calendar years.

D. A Gas Utility shall design each Demand-Side Resource:

- 1. To be Cost-Effective; and
- 2. To accomplish at least one of the following:
 - a. Provide Energy Efficiency,
 - b. Manage energy consumption,
 - c. Reduce peak demand, or
 - d. Alter Customer energy consumption behavior.

E. A Gas Utility shall consider the following when planning and implementing a Demand-Side Resource:

- 1. Whether the Demand-Side Resource will achieve Cost-Effective energy savings and peak demand reductions;
- 2. Whether the Demand-Side Resource will advance market transformation and achieve sustainable savings, reducing the need for future market interventions;
- 3. Whether the Gas Utility can ensure a level of funding adequate to sustain the Demand-Side Resource and allow the Demand-Side Resource to achieve its targeted goal; and
- 4. Whether the Gas Utility can allocate a portion of the Demand-Side Resource specifically to Limited-Income Customers.

- F. A Gas Utility shall provide an opportunity for all Gas Utility Customer Classes to participate in the Demand-Side Resources, with a portion specifically allocated for Limited-Income Customers.
- G. A Gas Utility shall monitor and evaluate each Demand-Side Resource to determine whether it is Cost-Effective and otherwise meets expectations and report any unintended consequences to the Commission in its Energy Efficiency Report.
- H. A Gas Utility may recover the costs that it incurs in planning, designing, implementing, and evaluating a Demand-Side Resource if the Commission approves such cost recovery for the Gas Utility in a rate case.
- I. Staff may request a Gas Utility to perform analyses of a specified Demand-Side Resource to comply with this Article.

R14-2-2713. Energy Storage System Tariffs

- A. Within 120 days after the effective date of this Article, an Electric Utility shall file with the Commission, for Approval, one or more Tariffs and one or more programs that:
 - 1. Establish an incentive program, such as a one-time, upfront incentive, that encourages Customers, including Limited-Income Customers, to purchase or lease Distributed Storage in exchange for the Customer's participation in a Demand Response or other program offered by the Electric Utility; and
 - 2. Establish one or more values for providing compensation to or crediting Customers, Limited-Income Customers, and Aggregators for operational attributes such as, but not limited to, Capacity, Demand Response, demand reduction, load shifting, locational value, voltage support, other ancillary and grid services, Electric Utility control, and any additional operating attributes the Commission may recognize, in order to encourage Customers, Limited-Income Customers, and Aggregators to purchase or lease, or engage in Aggregation of Distributed Storage.
- B. An Electric Utility's Energy Storage System Tariff shall not require that a Customer's Energy Storage System be associated with Distributed Generation.

R14-2-2714. Independent Monitor Selection and Responsibilities

- A. When a Load-Serving Entity contemplates engaging in an RFP process, the Load-Serving Entity shall consult with Staff regarding the identity of companies or consultants that could serve as Independent Monitor for the RFP process.

- B. After consulting with Staff, a Load-Serving Entity shall create a vendor list of three to five candidates to serve as Independent Monitor and shall file the vendor list with the Commission to allow interested Persons time to review and file objections to the vendor list.
- C. An interested Person shall file with the Commission, within 30 days after a vendor list is filed with the Commission, any objection that the interested Person may have to a candidate's inclusion on a vendor list.
- D. Within 60 days after a vendor list is filed with the Commission, Staff shall issue a notice identifying each candidate on the vendor list that Staff considers to be qualified to serve as Independent Monitor for the contemplated RFP process. In making its determination, Staff shall consider the experience of the candidates, the professional reputation of the candidates, and any objections filed by interested Persons.
- E. A Load-Serving Entity may retain any of the candidates identified in Staff's notice as an Independent Monitor for the contemplated RFP process.
- F. A Load-Serving Entity shall file with the Commission a written notice of its retention of an Independent Monitor.
- G. A Load-Serving Entity is responsible for paying the Independent Monitor for its services and may charge a reasonable bidder's fee to each bidder in the RFP process to help offset the cost of the Independent Monitor's services.
- H. At least one week prior to the RFP deadline for submitting bids, a Load-Serving Entity shall provide the Independent Monitor a copy of any bid proposal prepared by the Load-Serving Entity or an entity Affiliated with the Load-Serving Entity and a copy of any Benchmark-based costs or reference cost the Load-Serving Entity has developed for use in evaluating bids. The Independent Monitor shall take steps to secure the Load-Serving Entity's or Affiliated entity's bid proposal and any Benchmark-based costs or reference cost so that they are inaccessible to any bidder.

R14-2-2715. Confidential Information

- A. If a Utility believes that a reporting requirement pursuant to this Article may result in disclosure of confidential business data or confidential energy infrastructure information, the Utility shall file with the Commission:
 - 1. A public version of the reporting requirement pursuant to this Article, from which all data or information considered to be confidential has been redacted; and

2. A request to submit the data or information that is considered to be confidential to Staff pursuant to a confidentiality agreement, which request shall cite each statute, rule, court opinion, or other basis supporting the confidential treatment of the data or information.

B. Data and information protected by a confidentiality agreement shall not be filed with the Commission and shall not be open to public inspection or otherwise made public except upon an order of the Commission entered after written notice to the Utility and upon a finding of good cause for disclosure.

R14-2-2716. Waivers and Exemptions

A. The Commission may waive compliance with any provision of this Article or exempt a Utility from complying with any provision in this Article upon a finding that good cause exists for granting such waiver or exemption and that it will not harm the public interest.

B. A Utility requesting an exemption or waiver of any provision in this Article shall file with the Commission an application that includes, at a minimum:

1. The reasons why the burden of compliance with the Article, or the specific provision in the Article for which exemption is requested, exceeds the potential benefits to Customers that would result from compliance with the provisions pursuant to this Article;
2. Data supporting the Electric Utility's or Gas Utility's assertions as to the burden of compliance and the potential benefits to Customers that would result from compliance; and
3. The reasons why the public interest would be served or would not be harmed by the requested exemption.

C. A Load-Serving Entity shall comply with R14-2-2707(A), R14-2-2708(A), and R14-2-2709(A), unless one of the following exceptions applies:

1. The Load-Serving Entity is experiencing an Emergency;
2. The Load-Serving Entity needs to make a short-term acquisition to maintain system Reliability and that acquisition is for a period of no more than 24 months from the time executed;
3. The Load-Serving Entity needs to acquire short term economic purchases for 15 months or less, or other components of energy procurement, such as fuel, fuel transportation, or transmission;
4. The transaction presents the Load-Serving Entity a genuine, unanticipated opportunity to acquire a power supply resource at a clear and significant discount, compared to the cost of acquiring new Generating Units, and will provide unique value to the Load-Serving Entity's Customers; or

5. The Load-Serving Entity is adding Capacity or energy from newly constructed Supply-Side Resources with a net total nameplate rating of not more than 25 megawatt per year and 100 megawatt per five-year planning cycle, with projects supporting Renewable Energy and Energy Storage System deployment prioritized over adding or supporting Conventional Energy Resource Capacity.

D. If the Commission later determines that the Load-Serving Entity was not entitled to invoke one of the exceptions of subsection (C), the Commission shall not allow cost recovery of the Load-Serving Entity's actions related to such an event.

R14-2-2717. Cooperatives

A. A Cooperative or Load-Serving Cooperative shall employ best reasonable efforts in accordance with Good Utility Practice to comply with the applicable provisions of this Article.

B. Upon Commission Approval of a distribution cooperative's Clean Energy Implementation Plan describing the Cooperative's existing and planned Clean Energy Resources and Renewable Energy Resources and programs utilized to meet the Cooperative's retail load, the provisions of the Clean Energy Implementation Plan shall substitute for the requirements set forth in this Article.

C. A Load-Serving Cooperative shall submit to the Commission a limited Integrated Resource Plan filing containing whatever information, data, criteria, and studies the Load-Serving Cooperative has used in its analysis to meet electric demand in a safe, reliable, and efficient manner over a forecasted 15-year period of time.

D. Upon Commission Approval of a Load-Serving Cooperative's Integrated Resource Plan, including its Action Plan, its provisions shall substitute for the requirements set forth in this Article.

E. In preparing its Integrated Resource Plan, a Load-Serving Cooperative shall meet with and consider the input of an RPAC.

R14-2-2718. Cost Recovery and Prudence

A. A Utility may request to recover its costs to comply with this Article in a rate case, in whole or in part.

B. Recovery of the costs requested by a Utility under subsection (A) shall be allowed only if the Commission determines that the costs are prudent.

C. A Utility's Commission-approved cost recovery mechanisms and programs associated with the Commission's prior renewable energy and energy efficiency rules shall remain in effect until the

Commission issues a decision in a future rate case in which the Utility receives cost recovery and program Approval, if applicable, for requirements associated with this Article.

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